

THE RELATIONSHIP BETWEEN THE BANK PRODUCTS AND THE FINANCIAL KNOWLEDGE ACCORDING TO THE RESULTS OF A QUESTIONNAIRE SURVEY

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Abstract

The definition and the importance of the financial knowledge and the financial awareness arises increasingly in connection with the economic crisis. When we try to analyse the events of the crisis, the most frequently asked question is, that who and what extent are responsible for the events. On the side of banks we should say, that the main responsible actors were the borrowers, who bought the banking products with their insufficient financial knowledge. Are these criticism true, or the banks' greed is the main reason, as the borrowers think it?

The banking products are very diverse and multifaceted, so the choice between them is not easy. The crisis has highlighted the fact, that without a stable financial knowledge is very difficult to navigate in a globalized financial markets. Stable financial knowledge is essential for financial products to avoid the next financial crisis like in 2008. The role of the education system is unquestionable in all levels to acquiring and consolidating this knowledge, but the banks and central banks have an important role in this work as well. Hungarian people are often criticized because of an insufficient financial knowledge, but this problem is not mainly Hungarian, it is a big problem all over the world. The aim of this study is to present the results of a questionnaire survey conducted in Hungary, to measure the level of financial knowledge in connection with the banking products, which are very important to the success in the financial world.

Key words: crisis, bank products, financial literacy, primary research

1. LITERATURE REVIEW

Money, as the indicator of the economy's performance and as an appropriate tool for the accounting of the performances, is one of the most significant factors and actors of the capitalist and internationalised societies. The society heavily influenced by the media sees the importance of money everywhere, through the daily printed and electronic press, the television and the Web. Anything can be purchased for money, from the electronic devices to dream journeys, but even health and friendship are considered to belong here as well. But do we handle the money well and do we interpret its essence correctly? The crisis in 2008 pointed out that in many cases our assumptions are wrong, and on the basis of erroneous grounds we make such crucial financial decisions (like for example taking out a loan) that will have a lifelong effect on our future and success, and thus on the life of us and our family too.

The person, the individual is the dominant among the dogmas of the economics as well. The consumption of the individuals is measured, the usefulness is analysed, and all in accordance with how much money the consumer has. The classic definition of demand also says that despite the consumers are "willing" to buy the assets, they are "unable" to do so. As Adam Smith (1959) noted, people always act rationally, following their own interests, and therefore they believe in the self-regulatory quality of the market (invisible hand). However, Keynes also highlighted the psychological factors on top of the individual rationality during the economic actions, which was vehemently condemned then – at the time of the Great Depression. In fact, in his opinion the psychological factors are the ones that determine the happiness and actions of the people the most, which Keynes called "animal spirit" (Akerlof – Shiller, 2009). This was the very thing that the banking and lending practices prior to the crisis proved wrong when they suggested that contrary to the classic definition of demand the willingness alone is enough for the consumption, because the capability will be added by the bank. This practice took advantage of the people not being financially educated and not being in the possession of financial knowledge that would have been necessary when making the decisions.

Nevertheless, on the margin of the financial culture and literacy we have to mention those ethical and moral issues, or rather the complete denial of the ethical and moral principles, which were the reason why the utilization of the factors with otherwise poor financial culture became possible (Csiszárík-Kocsir, 2016).

Nearly ten years after the economic crisis the finances, the possession of money and the related knowledge have been becoming more and more important, basically a part of our lives. The crisis and the subsequent events drew the attention to the deficiencies connected to the financial knowledge (Klapper – Lusardi – Panos, 2012). Due to the general prosperity and the unlimited liquidity prior to the crisis certain age groups socialized in a way that they did not learn how to handle money, they did not learn how to make a budget, since the message that came from every direction said that the missing liquidity can be replaced with loans, several even. Before the crisis Johnson and Sherraden (2007) had already warned that it would be advisable to involve the younger generation too in the preparations of the financial processes by extending the taught subjects in a financial direction, or maybe by involving them in making the family financial decisions. Osana, Tucker and Bennett (2003) already had the same opinion, because this way a larger financial responsibility can evolve. The loans taken out irresponsibly and the early, rash consumption can be connected – either directly or indirectly – with the absence of financial literacy and financial culture. The examination of the financial culture is a term or research field with an ever growing popularity these days. Numerous articles, researches, theses or dissertations deal with it, yet no specific, tangible steps have been made towards development. Every bigger bank treats the development of the financial culture as part of their corporate social responsibility (CSR), but they do not really have concrete results yet.

The term financial culture has not been given a uniform definition up until today. In the strict sense financial culture means financial literacy skills and capability, which requires special professional knowledge. According to the generally accepted definition it is “such a level of financial knowledge and skills, with the help of which the individuals are able to identify the basic financial information necessary for their conscious and cautious decisions, then after obtaining these information they are able to interpret them and on this basis they are able to make a decision, assessing its possible financial and other consequences for the future” (MNB – PSZÁF, 2008).

Several experts agree that financial culture can be connected to financial knowledge in most cases. Beyond that, conscious behaviour is generated by not just having but also using financial knowledge. Using our financial knowledge may generate conscious and responsible decisions, which can reduce the amount of future risk, the financial insecurity of households and can make personal finances more calculable. Nagy and Tóth (2012) emphasise, that conscious behaviour of people would be essential. In the lights of financial consciousness people can learn the advantages and risks of financial services and can keep their investments at an optimal level.

Financial culture is also that kind of definition which integrates the cultural values of a community and can find interdependence between its characteristics and the quality of the community's financial decisions. According to Süge, financial culture includes everything that helps people to find their ways in financial questions and can create comfort. (Süge, 2010). The article about this topic, published by the Hungarian National Bank (MNB) unambiguously suggests the definition of financial culture. The supreme organisation of monetary politics of Hungary states, that financial culture is the level of financial skills and literacy, where individuals are able and ready to make sense of basic financial information and make conscious decisions. The term “financial culture” is not really current in articles written in English, this factor is mostly defined by “financial literacy”. The most important component of financial skills is financial literacy.

Financial skills are not inborn skills, so it becomes a more and more important question how to gain these skills. Xu and Zia in their article from 2012 explain the idea of financial literacy. By their interpretation this notion includes financial consciousness and knowledge, including the awareness of financial products, institutions and concepts. According to Xu and Zia (2012) financial literacy cannot be advanced where people do not understand and cannot calculate compound interest and individuals are without the skills of finding their way in finances and financial planning.

Lusardi and Mitchell's article from 2014 states that well-informed and rationally thinking individuals spend much less when they have more income, they save money in order to secure their future if their income may decrease. (Lusardi – Mitchell, 2014). With this statement Lusardi and his partner create the synergy of consciousness, responsibility and financial decisions, since individuals always have to be prepared to a financial setback or any unexpected expenses. Financial culture or financial literacy can express the individual's expectations about future, since the demand on financial culture is stronger for people who want to calculate with more calculable, plannable and predictive financial processes, so they try to learn them better and analyse financial environment more deeply. In this form financial culture requires knowledge and also associates with responsibility and rationality, since individuals should be interested in achieving better and better accomplishment and should try to avoid disadvantageous financial events (e.g.: losses, high risks or precarious financial actions).

Based on the definition of Atkinson and Messy (2012), financial culture is a sum of such skills, abilities, attitudes and patterns of behaviour that are essential for making the right financial decisions both on a personal and social scale. In the possession of financial literacy we can increase and improve prosperity, which can be felt not just at micro but at macro level as well. Based on the opinion of Luksander and her co-authors (2014), financial culture is nothing else but the ability of processing the financial information and making the right financial decisions. Suganya, Sakthivelrani and Durai (2013) outlined the substance of financial culture as the sum of such knowledge through which the individuals are able to maximize their lifelong financial prosperity. Ultimately, it can be asserted that the financial culture always means some sort of combination of abilities and skills, with which the personal and social well-being can be achieved. This is unimaginable without a specific professional knowledge, so it can therefore be concluded that the role of financial education is unmissable and unavoidable in this topic.

The knowledge that knows and understands the modern financial processes and capable of adapting to changes is indispensable in today's globalized world. This is why Grifoni and Messy (2012) claimed that the thrust of the term's meaning was a skill that is vital today. The financial culture can be split into parts, since it has levels that can be developed and others that are harder to develop. Those elements of the financial culture that can be modified easily and within a relatively short period of time with education and trainings belong to the former group. Such elements are for instance the financial knowledge, financial skills and abilities. The parts of the financial culture that are difficult to develop are manifested in traditions, habits, specific seen and learnt norms, views and values (Balázs, 2013). The latter, which is picked up from the parents, family and friends, can be shaped the hardest, because due to the socialization it becomes a part of us, it is integrated into our character, hence it goes with us all our lives (Koh – Lee, 2010). This process is called economic socialization, where the young raised generations learn from their educators the principles of using money, and acquire the attitudes that will later broadly determine their success or failure in the financial world. The family has an emphasized role in this process, as they teach the principles of money management and usage that they find decisive (Zsótér, 2012). This is all connected to the previously introduced opinions, according to which we have to start developing the financial consciousness already at school age in order to make the occasional negative habits somewhat correctible.

The assessment of financial culture in terms of a whole economy or society is not an easy task, but it can be declared that in the global financial world the evaluation of this field hints at the financial literacy of the individuals of an economy and society (Bárczi – Zéman, 2015). Certain researches correlate the financial culture with the financial knowledge, while others refer to it as a financial attitude, financial proficiency or the possession of financial information. There is no common understanding about who is responsible for the development of this field either. Based on certain opinions the development of the financial literacy needs to be started during primary education, whereas others suggest that this should be the sole task of secondary schools. Financial culture or financial consciousness includes the adequate and applicable level of financial knowledge, or in other words the stock of material knowledge, in addition to the concrete numeracy and math issues.

2. MATERIAL AND METHOD

The present study is based on a research from 2016, which was conducted in written form with the help of a questionnaire containing closed questions. There were no open questions in the questionnaire for the sake of the better statistical evaluation and processing. Moreover, we did not deem them necessary either, since a qualitative round had preceded the questionnaire. The questions of the form covered several topics from the value of money through the correct usage of financial and investment knowledge to ethical issues. The basis of the questionnaire was an inquiry carried out in 2015, during which 2,675 respondents shared their thoughts. That research had been preceded by a focus group survey, and then the final structure of the questionnaire unfolded in the course of deep interviews. The experiences and results of the research from 2015 set the ground for the extended – on a number of points – and amended questionnaire of 2016, which had also been preceded by a focus group survey where individuals belonging to different segments were asked via 9 questions on the previously listed topics. 3,736 people participated in the present research.

Among the questions there were multiple choice questions and rating scales as well. The questionnaire was filled mainly by people from Budapest and the region of Central Hungary, and mainly by the younger age groups, because the declared objective of this research was to chart the financial opinions and attitudes of the Y generation. The inquiry was made in writing, and the respondents filled the questionnaire anonymously and in electronic form. It was only compulsory to give their gender, highest education and date of birth as future segmentation features. The received sample of 3,376 people is not representative, but provides for the possibility of establishing a representative research at a later time. The questionnaire's results introduced in this study were assessed with the help of the SPSS 19.0 and MS Excel 2010 programmes. The composition of the respondents is illustrated in the table below:

Table 1. The composition of the sample

Male	47 %
Female	53 %
1946-1964	8 %
1965-1980	16 %
1981-1999	74 %
After 2000	2 %
Primary	8 %
Secondary	60 %
Tertiary - BA	24 %
Tertiary - MA	8 %

Source: own research, 2016, N = 3736

3. RESULTS

The level of our financial knowledge is basically represented by the network of relations with banks. Banking activities are present in every aspect of our lives, from morning shopping errands to afternoon cinema or theatre shows, if we pay for those with bank or credit card. With the crediting activities of banks, we can move forward our purchases such as a new apartment or new furniture, but we can also afford to pay for the holiday of our dreams or the car we have been longing for with the help of bank loans. Banks may manage our savings and our salary as well. A number of basic concepts are linked to this type of activity of banks. We have bank cards, credit cards, credit lines, and we also have to go

through an evaluation process. Though these bank products are the most frequent and recognized ones, they only represent a minor proportion of the whole portfolio offered by banks.

Throughout the research, we have made assumptions regarding the above mentioned bank products. Within this present study, we analyse the statements related to the topic specified in the title of the research. Respondents were given three options to choose from in case of every statement (don't know, true, false), therefore their only task was to decide whether the statement is true or false. Afterwards, with a coding process we replaced the answers received to correct or incorrect, based on the table below. The nine statements we have composed are all simple in terms of their wording and topic, however they can also be tricky if they are not read carefully or if the person lacks the necessary understanding, as it was confirmed by the end results. The table below lists the nine statements, and the correct answers to those.

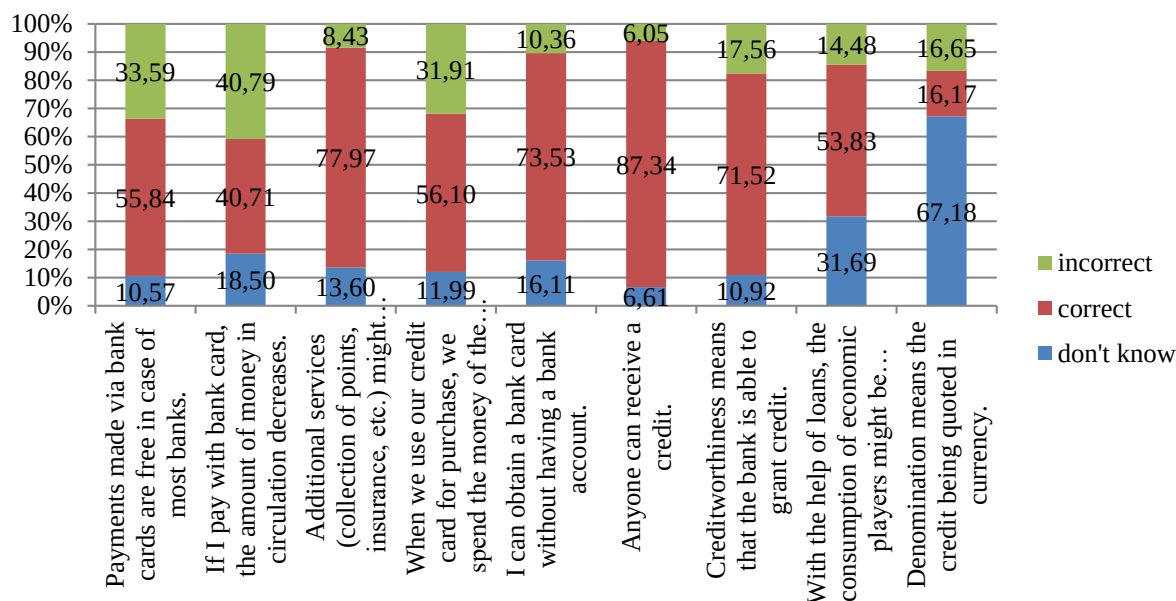
Table 2. Distribution of answers

	Correct answer
Payments made via bank cards are free in case of most banks.	true
If I pay with bank card, the amount of money in circulation decreases.	false
Additional services (collection of points, insurance, etc.) might be linked to certain bank cards.	true
When we use our credit card for purchase, we spend the money of the bank.	true
I can obtain a bank card without having a bank account.	false
Anyone can receive a credit.	false
Creditworthiness means that the bank is able to grant credit.	false
With the help of loans, the consumption of economic players might be brought forward	true
Denomination means the credit being quoted in currency.	true

Source: own research, 2016, N = 3736

The distribution of correct and incorrect answers are demonstrated well in percentages. The graph below reveals which statements are critical, where a great proportion of respondents were wrong. The distribution of answers in percentages are demonstrated in the graph below.

Figure 1. The distribution of the answers (total, %)

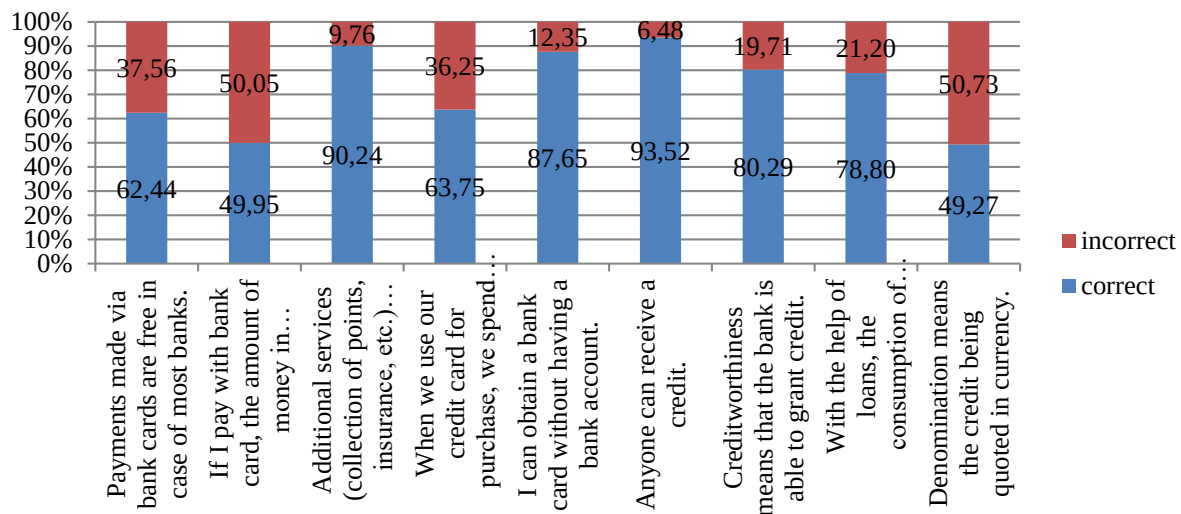


Source: own research, 2016, N = 3736

As presented on the graph it is obvious that the majority of respondents were able to provide correct answers to the statements related to bank cards and credits. It is worth taking a look at the statement claiming that anyone can receive a credit. The correct answer respondents had to give when weighing the correctness of the statement was that it is false. And they did so, as 87.34% of respondents answered it correctly. It means that after the economic crisis, it became clear for people that only those will be granted loans who have the necessary financial collateral and conditions to be able to pay back the loan. Another statement with a high proportion of correct answers was the one claiming that additional services might be linked to bank cards. This statement is true, since it is possible to even obtain insurances, discounts or refunds with our bank cards. Again, the majority of respondents were able to answer the statement correctly, whether an individual might own a bank card without having a bank account, as this statement is false. It is only correct the other way round, meaning that one might have a bank account without having a bank card. Regarding the correctness of answers, it is surprising how many people are not familiar with more profound concepts such as denomination. Denomination was a key concept when a vast number of currency loans were obtained before the crisis, since loans were not quoted in Forint, but in currency. Here about two thirds of respondents were unable to address the question. In case of all the other statements, the proportion of the “don’t know” answers varied between 10 and 20 %, except for the last but one statement about the role of credits, with which the consumption of economic players might be moved forward. This sentence is true, since the bank loans the money consumers need in order to be able to purchase the product they desire. Overall, based on the graph above we can draw the conclusion that respondents basically have a proper financial knowledge regarding basic bank products.

It is worth analysing how the proportion of correct and incorrect answers are shaped, if we clean the data from the “don’t know” answers. It is demonstrated on the graph below.

Figure 2. The distribution of the answers (total, %) after cleaning

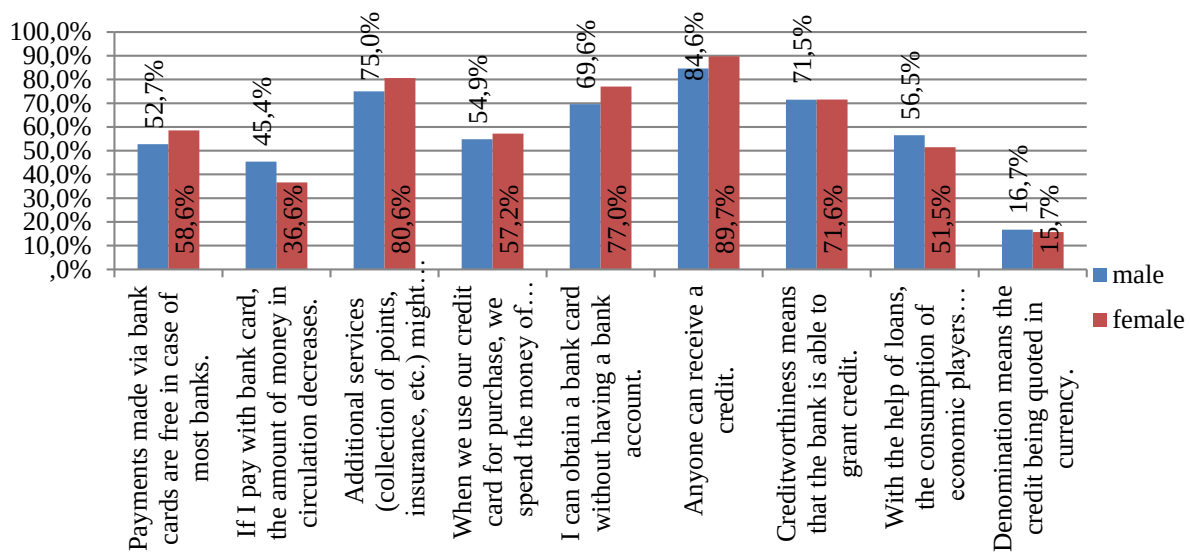


Source: own research, 2016, N = 3736

As seen on the graph, there are two statements where the proportion of correct answers provided by respondents is over 90%. These statements are related to credits, and the additional services linked to bank cards. The lowest proportion of correct answers is still attributed to the statement related to denomination, while respondents were also uncertain whether the amount of money in circulation decreases if they use their bank cards to pay or not. Now we shall analyse the answers based on the segmentation of the sample, with the help of cross tabulation.

The gender of respondents is divided almost equally within the sample. Women are often criticized that their financial literacy is poorer and they are less informed about finances than men. The graph below will disprove this hypothesis.

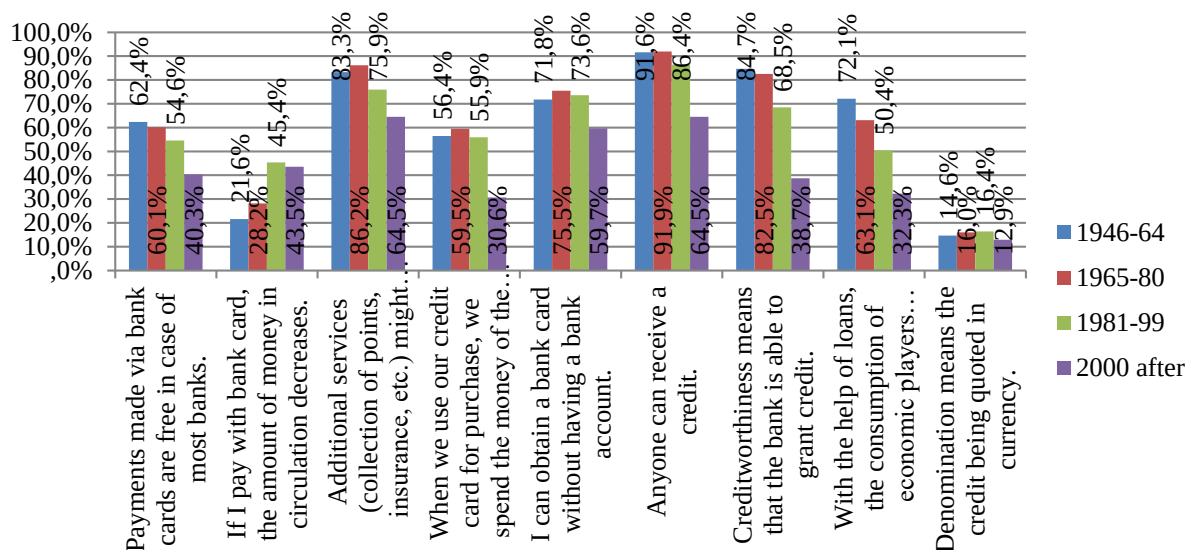
Figure 3. The distribution of the answers (total, %) after cleaning according to age



Source: own research, 2016, N = 3736

As it is demonstrated well by this graph, women in the sample provided more correct answers than the men in the sample. There are only three exceptions, however those statements are considered to be more difficult to evaluate. Men are more familiar with theoretical concepts, such as if payments are made with bank card, the amount of money in circulation will not decrease, they understand better what denomination means, and they also know that with the help of loans, consumption can be moved forward. From now on we shall analyse the sample based on its age distribution.

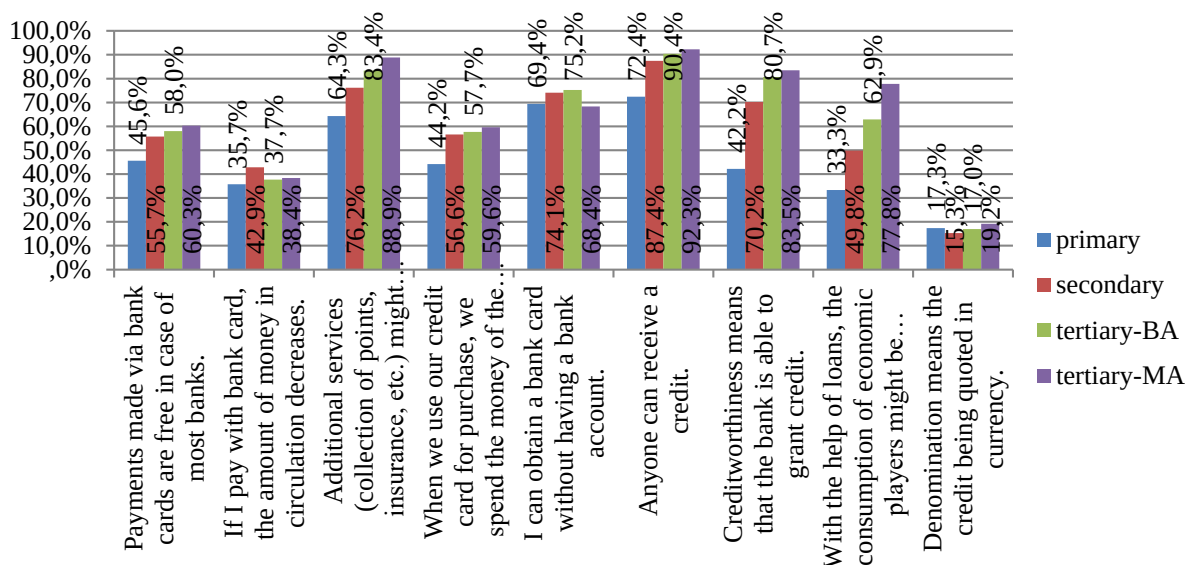
Figure 4. The distribution of the answers (total, %) after cleaning according to age



Source: own research, 2016, N = 3736

The graph reveals that based on the age, older respondents, representatives of the BB generation are the most informed ones regarding the field of finances. On one hand, it can be explained by the greater extent of their life experiences, as they have encountered more bank products than young people, which means that they were able to discover the advantages and disadvantages of those products themselves. The same goes for generation X. Nevertheless, one would also expect youngsters, especially members of generation Y to be familiar with the actual meaning of the statements, since they must have learnt it within the course of their education, yet they fail to excel within their age group. The least amount of correct answers were provided by generation Z. On account of their age, they do not have a clear understanding of these concepts, but they are the ones who should be advised about the financial field within the course of education. Finally, we shall introduce the results based on the educational attainment of respondents.

Figure 5. The distribution of the answers (total, %) after cleaning according to graduation



Source: own research, 2016, N = 3736

As it is shown on the graph, respondents with the highest degree of educational attainment provided the greatest amount of correct answers. The proportion of correct answers is over 60 % in each case, but in relation to the highlighted statements, it is even higher. They are followed by respondents with a BSc degree. The least amount of correct replies were answered by respondents with a basic level of education. It all reveals how important the role of schools is in the improvement of financial literacy.

4. SUMMARY

Based on all of the above we can declare that the basic financial knowledge of the population of Hungary is all right. However, it only regards the products of banks, and not other fields of finances. Besides factual knowledge, the improvement of the financial attitude, financial literacy is also quite important, and it can only be implemented within the system of education. The launch of comprehensive programs with the objective to improve financial knowledge would be very important, not only in Hungary, but in other countries as well, as a result of which, the level of financial consciousness could improve from every aspect. Therefore, the role of schools is extremely important. Here we refer to both the basic, and secondary and tertiary levels of education. Consequently, the training of tutors and teachers is also important, in order to be able to introduce the world of finances to students through spirited yet efficient means, which would rather make them take a liking to this field, instead of scaring them off. The implementation of this idea is not an easy task, since it requires the effort of human resources to the full extent. Finances can only be taught by dedicated, trained teachers, who consider the improvement of this culture to be important themselves as well, in order to avoid having another series of events similar to the crisis of 2008, neither on a local nor on a domestic level.

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