



An Assessment of Financial Literacy of Bank Customers

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Keywords

Financial Literacy,
Banking, Financial
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Abstract

In today's social and economic conditions, financial literacy has become one of the new and interesting concepts that are being emphasized. Changes in socio-economic structure, problems in income distribution, imbalances in the level of regional development, increase in rural to urban migration rates and many more such reasons are the processes of change that emphasize the importance of financial literacy. Considering that individuals, society and enterprises are actors in the economy, financial literacy becomes extremely important in order for economic decisions to be taken correctly and in a healthy manner and to create a sustainable economy.

The aim of this study is to examine the components of financial literacy in terms of basic demographic factors. For this purpose, the relationship between gender and education of the bank's customers mainly in the financial system and the financial literacy components will be evaluated. In the research conducted within the scope of the study, quantitative method has been applied and survey technique has been used as data collection technique. The survey was based on the OECD / INFE core survey.

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1. Introduction

Considering that individuals, society and enterprises are actors in the economy, financial literacy becomes extremely important in order for economic decisions to be taken correctly and in a healthy manner and to create a sustainable economy.

Financial markets are developing along with the current economic developments in the world. Thus, financial instruments are diversified. Therefore, the complexity of the financial system is increasing. In this complexity, actors have to increase their financial knowledge levels in order to solve the problems they face and to ensure efficiency in the financial decisions they make. If financial decisions such as consumption, investment, savings, budgeting etc. are taken effectively and accurately, daily life can become high quality and financial markets can be effective and efficient. (Tufekci et al., 2017: 60). Therefore, to have financial knowledge and the ability to use financial information, in other words, the concept of financial literacy is extremely important.

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The concept of financial literacy is to gain a basic understanding of the tools used and the characteristics of these tools, and to increase the knowledge and skills and to make favorable accounting of the benefits from the decisions to be taken in accordance with it in the basic financial products and services, investment-saving relations, and in the retirement plans required to prevent future concerns even a little, and in the insurance transactions necessary for the security of life or property of their own or their relatives (Baysa and Karaca, 2016).

A comprehensive definition on financial literacy by Gutnu and Cihangir (2015) states that financial literacy covers the applications regarding the "budgeting, savings, investment, borrowing/lending, insurance, diversification and income-expenditure matching." In this respect, financial customers know the concepts of financial products and services and develop their skills. In this way, they can see risks, opportunities and make conscious choices. They can borrow in a healthy manner and manage the elements of the process (Gutnu and Cihangir, 2015: 416).

2. Financial Literacy Elements

Financial literacy is a concept that needs to be dealt with with different elements. These different elements that make up the content include money information, income information, money management information, savings and investment information, borrowing and spending information.

2.1. Money Information

Regardless of the level of income, living in a planned way in terms of financial issues and having knowledge about money management makes a great contribution to family and individual welfare. Getting to know money and having knowledge on gaining and spending ways brings the good budget with it. The sub-components such as savings, budgeting and future thinking constitute the money information. Money information is an element that needs to be evaluated especially with financial planning. In order to achieve financial success, it is necessary to carry out a financial planning in line with the needs and objectives of the family and the individual, and to take necessary steps to determine and implement financial targets. (Şarлак, 2012: 53). Financial planning helps individuals and families to sustain their lives within the framework of their income, determine their priorities financially and save and invest in achieving financial goals (Hayta, 2011: 59). Whereas financial planning is about budgeting in the short term, it includes planning and implementing long-term large-scale expenditures such as retirement planning and a home or car in the long term (Capuano and Ramsay, 2011).

2.2. Income Information

The concept of income is the sum of values obtained in a certain period after the contribution to production. Income can be obtained in the form of salary or annuity, capital income, interest, and profit based on the consumed labor (TÜİK, 2015).

In terms of financial literacy, it is very important to determine the income by the individual correctly and to judge whether or not each money obtained is income. For example, can a loan from the bank be considered as income? The fact that the

individual can give a correct answer to such a question in the context of financial literacy is associated with income information. This is also very important for the healthy tax relationship with the state. It is because some of the income is collected as tax with various names.

2.3. Money Management Information

According to Kempson (2009), money management includes financial control skills such as budgeting, keeping records, calculating income-expense balance, and calculating and predicting daily living costs. Financial literacy also includes the ability to manage money with these skills.

In terms of family and individual welfare, money management is very important. A financial plan can also be realized by financial planning in line with family and individual goals (Şarlak, 2012). In this respect, money management is an element that can be addressed in the context of households. This also means that it represents an increase in the welfare level of the family and society.

2.4. Savings and Investment Information

Savings defined as the difference between income and expenditure means that the expenditure is postponed to a future date; in other words, future expenditure replaces the current time expenditure (TCKB, 2014; Barmaki and Şener, 2017). In the investment, it is aimed to obtain a certain return by using certain investment tools. In such a case, financial literacy is extremely important in determining the level of sacrifice to be taken for saving as well as the risk to be taken to achieve return.

2.5. Borrowing and Spending Information

Borrowing and spending information is built on the concept of loan. Loan or credit is a ready-to-use purchasing power when the need for payment based on future is available (Zarakoğlu, 1989) The reason for use of loan, the need for loan, and the reimbursement process of it are extremely important for financial literacy. The necessary proportionality between the acquisition and the expenditure of income should also be taken into account for borrowing. Otherwise, the financial balance of the individual may be impaired both in terms of spending and borrowing.

3. Literature Review

When financial literature is analyzed, it is seen that there are many financial literacy studies. Some of these studies are as described here. Tomášková et al., (2011) conducted surveys for 170 university students in the Czech Republic. They concluded that students did not have a comprehensive view of the basic relations in the financial market. Bucher-Koenen and Lusardi (2011) found no differences of gender in financial information in East Germany in their study of financial literacy in Germany.

Atkinson et al. (2007) conducted a survey of approximately 5,000 British adults between 2006 and 2007. With this study, they developed an index for financial literacy. It was emphasized that financial literacy level of lower-income participants was at medium or lower levels.

Bernheim and Garrett (2003) investigated the relationship between financial information and saving behavior. The existence of a positive relationship was emphasized.

As a result of a survey conducted with a group of Canadian adults, Buckland (2010) found that low-income participants learned to deal with tight budgets, used diversified activities to raise income, restricted their loans, and were well aware of relevant government programs and banking services. The author concluded that financial literacy differed between socioeconomic groups and neighborhoods, that is, due to the adult learning in the local context.

Al-Tamimi and Kalli (2009) studied on the investors of the United Arab Emirates. They found that financial literacy was far from the desired level and women had a lower level of financial literacy than men. In addition, there was a relationship between financial information and investment decisions, and between religious reasons, firm reputation, firms' ethics, and important factors such as diversification.

Rooij et al. (2011) analyzed the relationship between financial literacy of the household and stock exchange in the Netherlands and found that those with low financial literacy were less likely to invest in the stock exchange.

Calvet et al. (2007) found that low-educated and low-wealth investors could hold weakly diversified portfolios. Rooij et al. (2011) found that individuals who were financially more literate tended to have stocks in their portfolios because they understood the principle of risk diversification better.

In Kindle's study (2010: 472), it is suggested that there is a link between psychologically unsettled and negative financial events such as financial stress, extreme stress. The study aims to measure the awareness of social work students about whether they are related to future applications of financial literacy, as they are potential social workers of the future. These students stated that financial information is highly relevant to some problems such as poverty.

4. Purpose and Method of Research

In this study, it is aimed to evaluate the financial literacy of bank customers. For this purpose, a survey was conducted on 175 customers of a private bank between April 2018 and May 2018. The survey was based on the OECD / INFE core survey.

In the OECD / INFE core survey (OECD / INFE, 2016), the first three questions and the last five questions are demographic. The 13 questions included in the survey were related to the financial behaviors of the participants. Among these questions, 6 are related to financial products and their approach. 6 questions in the survey form are aimed at measuring the financial information levels of the participants.

Since the assumptions of parametric tests were met, parametric tests were used in the analysis. Firstly, demographic findings were examined. Later, the differences of gender and education level, one of the most basic demographic factors, and the elements consisting of financial literacy expressions were discussed in terms of groups. Accordingly, independent sample t-test was applied to determine the relationship between the gender variable of the participants and the financial

savings variables included in financial information and financial behavior. In addition, one-way analysis of variance (ANOVA) was applied to determine the relationship between education variable, and financial information and financial behavior.

4.1. Research Results

4.1.1. Demographic Findings

Demographic findings obtained in the study are as indicated in Table 1. Accordingly, 56% of the respondents were female and 44% were male. 77.9% of the participants stated that they live in the big city, 33.1% with their spouses, 27.4% with their children under 18, 18% with their parents and the rest with others.

To the question of “what you have done in the last 7 days”, the participants gave the answers of mostly using computers and accessing the internet, watching TV and using mobile phones.

When the education level of the participants is examined, it is seen that 58.3% are undergraduate and graduate, 23.4% are high school and the rest are in the form of secondary and lower education. When the working status of the participants is examined, it is seen that 61.1% are wage workers, 12.6% are self-employed and the rest are non-employed.

Table 1. Basic Demographic Information

	n	%
Gender		
Male	77	44,0
Female	98	56,0
Who you live with		
Alone	18	10,3
Life partner / spouse	58	33,1
Children under 18	48	27,4
18 years old with children	14	8,0
With Family	28	16,0
Other	7	5,2
Age		
18-29 years old	56	32
30-49 years old	92	52,6
50 years and older	27	15,4
Education		
University level education	102	58,3
High school	41	23,4
Other	32	18,3
Total	175	100

4.1.2. Independent Sample t-Test Results

Independent samples t-test was used for the binary groups to determine the significant difference between the variables. The hypothesis to test the significant difference between the gender of participants and the variables related to the level of financial literacy information of the participants is as follows;

H0= There is no significant difference between participants' Financial Information Level and Gender of Participant.

H1= There is a significant difference between participants' Financial Information Level and Gender of Participant.

The results obtained from the analysis are as indicated in Table 2.

Table 2. Relationship between Gender and Financial Information Level

	Gender	n	Mean	t	P
Rating the general knowledge on financial issues	Male	76	3,05	-1,986	,049*
	Female	98	3,45		
Division	Male	76	1,16	,027	,225
	Female	98	1,27		
Time value of money	Male	76	3,20	,045	,389
	Female	98	3,38		
Interest paid	Male	76	1,28	,009	,112
	Female	98	1,40		
Simple interest	Male	76	1,38	,360	,000
	Female	98	1,65		
Compound interest	Male	76	2,70	,432	,008*
	Female	98	3,43		
Risk and return	Male	76	1,38	,019	,092
	Female	98	1,51		
Inflation	Male	76	1,49	,318	,531
	Female	98	1,44		
Diversification	Male	76	1,70	,287	,590
	Female	98	1,73		

*p<0.05

Considering the significance of the relationship between the gender and the levels of financial information of the participants, it is seen that the gender of the participant was significantly different in terms of the evaluation of financial information levels, and that there is a significant difference in terms of participant gender at 5% of simple interest and compound interest information when the variables constituting the level of financial information are analyzed, and also that the information about risk and return differed at a level of 10% in terms of the male and female participants.

The hypothesis created to test the significant difference between the gender of the participants and the financial behavior of the participants is as follows;

H0= There is no significant difference between participants' financial behavior and the gender of Participant.

H1= There is a significant difference between participants' financial behavior and the gender of Participant.

The results obtained are as indicated in table 3.

Table 3. Gender and Financial Behavior Relationship

	Gender	n	Mean	t	P
Having a household budget	Male	76	1,17	0,397	,049*
	Female	98	1,14		
Savings/investment in the last 1 year	Male	76	1,97	-,256	,798
	Female	98	1,98		
Careful thinking about expenses	Male	76	1,97	1,230	,220
	Female	98	1,74		
Making long-term savings rather than spending a lot of money	Male	76	2,97	-,322	,748
	Female	98	3,04		
Timely payment of bills	Male	76	1,87	1,764	,079
	Female	98	1,58		
Keeping track of personal financial affairs	Male	76	1,99	-1,058	,291
	Female	98	2,17		
Identifying and striving to achieve long-term financial objectives	Male	76	2,20	-1,711	,089
	Female	98	2,52		
Considering several options from different companies before taking a decision	Male	76	1,79	,220	,826
	Female	98	1,78		
Professional advice	Male	76	1,96	,199	,842
	Female	98	1,92		

*p<0.05

When the relationship between the gender and financial behavior levels of the participants is examined, the behavior of "having a household budget" from the questions of the financial behavior element has a significant difference in terms of participant gender at the level of 5%, whereas the behaviors of "timely payment of bills" and "identifying and striving to achieve long-term financial objectives" are significantly different between groups at 10% level. The behaviors of "savings/investment in the last 1 year" and "careful thinking about expenses" that are within the questions of financial and behavior and express the behavior of savings has no significant difference between the groups

4.1.3. ANOVA Test Results

One-way analysis of variance (ANOVA) was performed for multiple groups. Financial knowledge of participants and the relationship between financial behavior and education were examined.

The hypothesis created for the evaluation of Financial Information Level and Education levels is as follows;

H0= There is no significant difference between the financial information level of the participants and the level of education level of Participant.

H1= There is a significant difference between the financial information level of the participants and the level of education level of Participant.

The results obtained are as indicated in Table 4.

Table 4. Relationship between Financial Information and Education

		ANOVA				
		Sum of Squares	Sd	KO	F	P
Rating the general knowledge on financial issues	Between Groups	47,873	6	7,979	5,013	,000
	In-group	267,407	168	1,592		
	Total	315,280	174			
Division	Between Groups	13,664	6	2,277	8,679	,000
	In-group	44,085	168	,262		
	Total	57,749	174			
Time value of money	Between Groups	16,549	6	2,758	1,512	,177
	In-group	306,400	168	1,824		
	Total	322,949	174			
Interest paid	Between Groups	10,600	6	1,767	8,957	,000
	In-group	33,137	168	,197		
	Total	43,737	174			
Simple interest	Between Groups	7,240	6	1,207	5,579	,000
	In-group	36,337	168	,216		
	Total	43,577	174			
Compound interest	Between Groups	89,286	6	14,881	5,186	,000
	In-group	482,062	168	2,869		
	Total	571,349	174			
Risk and return	Between Groups	3,572	6	,595	2,509	,024*
	In-group	39,857	168	,237		
	Total	43,429	174			
Inflation	Between Groups	2,176	6	,363	1,477	,189
	In-group	41,252	168	,246		
	Total	43,429	174			
Diversification	Between Groups	1,240	6	,207	1,020	,414
	In-group	34,040	168	,203		
	Total	35,280	174			

*p<0.05

There is a significant difference between the participants' financial information level and the level of education level of participants. In addition, the information on the "divisions", "interest paid", "simple interest", "compound interest" and "risk and returns" from the elements of financial information vary by 5% in terms of groups. The hypothesis created for evaluation between financial behavior and education levels is as follows;

H0= There is no significant difference between participants' financial behavior and education level of Participant.

H1= There is a significant difference between participants' financial behavior and education level of Participant.

The results obtained are as indicated in table 5.

Table 5. Relationship between Financial Behavior and Education

		ANOVA				
		Sum of Squares	Sd	KO	F	P
Before I buy anything, I think carefully whether or not I can afford it.	Between Groups	2,175	6	,362		
	In-group	254,660	168	1,516		
	Total	256,834	174			
Rather than tomorrow, I tend to live for today	Between Groups	5,247	6	,874		
	In-group	287,062	168	1,709		
	Total	292,309	174			
Rather than long-term savings, I find spending money more satisfying	Between Groups	6,310	6	1,052		
	In-group	314,684	168	1,873		
	Total	320,994	174			
I pay my bills in time	Between Groups	7,303	6	1,217	1,072	,382
	In-group	190,834	168	1,136		
	Total	198,137	174			
I'm willing to risk some of my own money when I'm saving or investing	Between Groups	8,687	6	1,448		
	In-group	344,033	168	2,048		
	Total	352,720	174			
I keep my personal financial affairs under strict surveillance	Between Groups	4,365	6	,728		
	In-group	226,172	168	1,346		
	Total	230,537	174			
I set future financial targets and make efforts to reach them	Between Groups	5,548	6	,925		
	In-group	261,560	168	1,557		
	Total	267,109	174			
Money is for spending	Between Groups	8,684	6	1,447		
	In-group	271,511	168	1,616		
	Total	280,194	174			
My financial situation limits the ability to do what is important to me	Between Groups	5,726	6	,954		
	In-group	255,131	168	1,519		
	Total	260,857	174			
I tend to worry about paying for my living expenses	Between Groups	9,772	6	1,629	1,030	,407
	In-group	265,565	168	1,581		
	Total	275,337	174			
I owe a lot of money right now	Between Groups	8,485	6	1,414		
	In-group	318,052	168	1,893		
	Total	326,537	174			
I am satisfied with my current financial situation	Between Groups	6,563	6	1,094		
	In-group	293,346	168	1,746		
	Total	299,909	174			

*p<0.05

When the financial behavior levels of the participants were examined, it was observed that there was no significant difference between the groups.

5. Conclusion

The concept of financial literacy is a concept that has come to the forefront for individuals to make efficient and effective financial decisions. Therefore, it is important to know basic financial concepts and to have the ability to use these concepts in order to exist in changing and developing markets. Financial literacy, which is an active process involving the integrity of knowledge and action, displays a holistic approach that increases the quality of life of the individual and increases the economic well-being. In this sense, individuals should have financial knowledge and financial consciousness and reflect this knowledge and consciousness on financial behaviors.

In this study, it is tried to examine whether the financial information levels and financial behaviors of the bank customers who perform any financial transactions in the banks which is one of the prominent financial intermediaries in the financial markets differ in terms of basic demographic factors of gender and education. When the obtained results are evaluated, it is determined that the level of knowledge of financial information and the information level of interest in the financial information was different in terms of men and women and some financial behaviors were similarly different in terms of gender. In addition, it was observed that the level of financial information and the level of knowledge about the divisions, interest and risk/return issues in financial information differed in terms of education level, whereas financial behavior did not differ in terms of education level groups.

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