PERCEPTION OF BANKING PRODUCTS AMONG PEOPLE
EVIDENCE FROM BHUTAN

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*P*URPOSE
THE objective of the present research is to unveil the perception degree of banking products among citizens of Bhutan. It intends to derive the current scenario of possessing knowledge of various banking products among Bhutanese population vis-à-vis disseminating the research outcome to different stakeholders concerned.

Design/Methodology/Approach: The research is exclusively grounded on primary data gathered with the help of a structured questionnaire. However, a few secondary sources were also consulted to find out the direction of the study. Scheduling method was used to collect all primary data, considering the fact of lower education level of most of the respondents (below class X) and technical language of the questionnaire. Sample data were collected from 371 respondents from four different Gewogs (blocks) that is Chapcha, Bongo, Darla, and Samphelling of Chukha Dzongkhag (district). The data were analysed based on gender and education level of the respondents towards perception of banking products. Student's t-test and ANOVA were used to analyse the research data.

Findings: The inferences drawn from the study reveal the current scenario of perception level of banking services among sample respondents. The results depict satisfactory level of financial literacy and awareness of banking products among majority of the sample respondents. However, their understanding level about the same was found quite low.

Research Limitations: The study drew conclusion based on four Gewogs of Chukha district. Hence, the findings of this study may not be generalised for the entire nation. Most of the respondents in this study were either from no formal education or from low education level. Therefore, there may be variations in their responses.

Practical Implications: As the primary aim of this research is to find out the perception of banking services/products among Bhutanese, the inferences drawn from here are expected to benefit bankers, respective heads of the blocks, government, and policy makers. Besides, the research findings may be important for practice, theory, and subsequent research including that of colleges and universities.

Originality/Value: This research is grounded on the data collected from primary sources. The findings have been supported by various secondary sources available, especially in the Bhutanese context.

Key Words: Perception, Financial products, Financial institutions, Bhutan.

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Introduction

Peoples' perception of financial products is closely associated with the degree of Financial Literacy (FL). Mandell (2009) defines FL as ability of individuals, based on which they make all financial and economic plan based on their own interests. FEC (2018) interprets FL in much comprehensive manner. It defines FL "as possessing the skills and knowledge on financial matters to confidently take effective action that best fulfils an individual's personal, family, and global community goals". There are numerous definitions of FL advocated by the authors in the literature. The present study, however, hovers around the definition as provided by Remund (2010, p. 284). The definition given by Remund (2010) and other authors clearly delineates that a high degree of finically literate person possess a better perception of the financial products that are available with financial institutions.

The outbreak of 2008 world economic crisis has distinctly pointed the importance of financial inclusion in general and financial literacy across all level of world economies. Since this crisis, financial literacy has been a popular topic among government, policy makers, and general population. Financial inclusion plays pivotal role in economies, especially, that of developing countries. High rate of financial inclusion not only shows majority of the people being streamlined with formal financial system, but also, shows lower degree of dependence of people on informal financing such as local money lenders.

Awareness and understanding of available financial products among countries' population become significant for enhancing financial inclusion. Better understanding and effective usage of the banking products may increase the financial inclusion rate of any economy. However, it is generally observed from many of the literatures that financial knowledge is scarce and weak in many of the world economies. This picture, however, indicates necessary actions to be taken to avoid future financial crisis. The poor awareness and understanding of financial culture carry a lot of risks especially for the poor and uneducated segments. This also may lead to increase manipulation and fraud (Quraisha, 2019; Suryani, & Lindiawati, 2015).

Enhancing financial literacy and awareness of banking products among country's citizen have been felt in many economies. This is primarily considered to enhance the financial inclusion. Of late, the governments have been using various schemes to maximise the awareness of banking services among public. However, the perception of banking services, as evident from the research findings varies among nations. (Atkinson, Messy, Rabinovich, & Yoong, 2015; Erner, Goedde-Menke, & Oberste, 2016). Bhutan being a landlocked country is no exception. As of December 2017, there were 64.47% of adults in the country holding savings account with a bank while only 16.08% had access to credit, and 17.79% had a life insurance policy (NFLS, 2018). Although the Gewog banking facilities have come with the clear mandate to spread the financial services, the perception of savings among Bhutanese is still at its developing stage. Most of the population that hold accounts in the commercial banks are found aware of only those banking products that they hold keeping aside the range of other banking products (UNCDF, 2014). There are few literatures available on Financial Literacy in Bhutan yet specific literatures on the perception of banking services among public particularly at Gewog (block) level are not found. Hence, the present research is an effort where it unveils the perception of banking services among people residing in four blocks in Chukha district.

Literature Review

Awareness of banking products among citizens of nation plays significant role in reducing financial exclusion rate of an economy. Sound perception of financial literacy also becomes crucial for economic development of any nation. The knowledge of FL among respondents has been captured across the globe by many researchers. Bhagat, & Shinde (2015) examined the awareness of banking skills in the financial capital of India that is Mumbai and conclude that 64% of the total respondents had active bank accounts, 38% of the respondents were aware of how-to use cheques and demand drafts for financial

transactions, 76% of the respondents knew how-to use ATM services and 13% knew about NEFT[1] service. On the contrary, 18% of the respondents used NEFT service for carrying out financial transactions. The study revealed positive correlation between holding an account in the bank with that of awareness and use of cheque facilities. On the flip side, there was no association between holding a bank account and awareness about use of the ATM and NEFT.

In one of the studies by Nadeem, Ahmad, Batool, Ahmad, & Shafique (2015), an issue was addressed about the awareness of electronic banking among students in Pakistan. In this study, they found that majority of the students (85.6%) possessed knowledge about electronic banking system. Besides, maximum of the samples (83.2%) were aware of the benefits of using ATM. On the other hand, 72% of them knew about the usage of debit and credit cards.

A few studies have found positive correlation between respondents' education and awareness and perception of financial literacy. A study by Cole, Sampson, & Zia (2011) inferred that the students who received higher level of education in mathematics have better abilities of handling finance. It is in this context; the role of primary and secondary education level is indisputable. However, many of the findings did not show how much the financial information transmitted by the higher education influences financial literacy in a positive direction. This is primarily because of the assumption that the higher education transmits higher efficiency. A few researchers have agreed that financial literacy is highly influenced by the works of the levels below higher education (Behrman, Mitchell, Soo, & Bravo, 2012; Bucciol, & Veronesi, 2014). Parental education is yet another variable that determine the knowledge of FL of the growing children (Lusardi, & Mitchell, 2011). The concepts of well-informed and rational thinking have also been captured in few studies. Such studies have revealed that the people with higher income use their rational thinking and spend less and save for their betterment in future (Lusardi, & Mitchell, 2014).

Van, Lusardi, & Alessie (2011) revealed the direct relation between financial knowledge and investing in the equity market and between knowing banking services and fruitful planning of retirement among Dutch households. Despite some of the concerted efforts, a few developed countries also recorded low level of FL. The study carried by Lusardi, & Mitchell (2011) concluded lower level of financial knowledge among younger people and females in the United States. Aizcorbe, Kennickell, & Moore (2003) in their study revealed that financial literacy highly depends on the degree of family income. Besides, there are evidences of lower level of banking knowledge among people in rural areas compared to the people in urban (Klapper, & Panos, 2011).

A few techniques have also been suggested by the researchers to improve financial education among people. Jarvis (2002) suggested learning by practice, role-playing, and simulation exercises. Similarly, Johnson, & Sherraden (2007) hinted a skill called 'financial capability' which is integrated with banks where classroom learning can be practised by the students. FL interventions for high school students have been argued by some of the researchers that enhance application of the banking knowledge along with increased financial education (Danes, Rodriguez, & Brewton, 2013).

There are very less studies related to perception of banking services conducted in Bhutan. Some studies concluded that geographical distance of the various bank branches, difficult terrain, inability of providing mortgage to obtain loan, lower literacy rate especially that of lower financial literacy among people are some of the significant reasons of low perception of banking products in the country. Dorji (2017) revealed disproportionate credit allocation and other financial services among people residing in different districts of the country. All these findings raised questions on the degree of financial literacy and awareness and understanding of banking products among people, especially among rural folk in the country.

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[1]   National Electronic Fund Transfer

Objective of the Study

The main objective of the present study is to examine the perception of banking products on the bases of gender and education.

Hypotheses of the Study

H$_1$: There is a difference in the mean score of male and female towards Financial Literacy.

H$_2$: There is a difference in the mean score of male and female towards Level of Awareness of banking products.

H$_3$: There is a difference in the mean score of male and female towards Level of Understanding of banking products.

H$_4$: The mean scores among different respondents' education groups is statistically significant towards Financial Literacy.

H$_5$: The mean scores among different respondents' education groups is statistically significant towards Level of Awareness of banking products.

H$_6$: The mean scores among different respondents' education groups is statistically significant towards Level of Understanding of banking products.

Research Methodology

Area and variables covered

This research unveils the knowledge of banking services among respondents in four blocks of landlocked country, Bhutan. These Gewogs are: Bongo, Chapcha, Darla, and Sampheling. Samples have been collected from those respondents who were having bank accounts in any of the financial institutions during the study period between June, 2019 to August, 2019 Variables such as respondents' bank account, borrowing of loan, banking services, quality of the financial services provided by the banks, bank visit, mobile and internet banking, Automated Teller Machines (ATMs) facilities, and various other banking services are considered in the research.

Sources of data

The study depends on baseline data collected in the form of schedule. However, secondary data have also been considered (wherever necessary) to validate the conclusion drawn from the primary study.

Baseline data

The primary data from the mentioned Gewogs were collected with the help of Pilot Survey and questionnaire in the form of Schedule.

Secondary data

Besides primary data, secondary data in the form of research articles, magazines, yearbook, and annual reports of various commercial banks are cited to achieve the objective of the research.

Population and Sample

21,834 individuals were traced as total population of the four Gewogs during the study period. The population were traced with the help of respective Gups (Headman of the block). Krejcie, & Morgan (1970) formula was used to determine the sample size of 371 for the present study. The formula and calculation of sample size stand as follows:

$$S = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)} = \frac{3.841 * 21834 * .50(1-.50)}{.05^2(21834-1) + 3.841 * .50(1-.50)} = 317 \text{ (Approx)}$$

Where,

S = required sample size; X² = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841); N = the population size; P = the population proportion (assumed to be .50 since this would provide the maximum sample size) and d = the degree of accuracy expressed as a proportion (0.5)

Population proportion method was used to draw samples from each Gewog. Only those respondents that have bank accounts with any of the respective banks were considered as sample in the study.

Statistical tools used for Data Analysis
Descriptive statistics i.e., mean and standard deviations were used to describe the comparative mean scores between genders and among different educated groups towards the selected test variables. Further, inferential statistics such as Analysis of Variance (ANOVA) and t-test were used to check the significant difference among mean scores and to test the hypotheses.

Data Analyses and Interpretation

A small pilot survey was made with 30 samples and reliability test was conducted to measure the construct in the questions. The reliability test was run separately for all the variables. Table No. 1 depicts the Cronbach's Alpha values of the selected variables i.e., 0.848, 0.762, and 0.712, which are greater than 0.70. All calculated values of Cronbach's Alpha have represented good internal consistency of the statements in the questionnaire.

Table No. 1: Reliability Constructs

Sl. No.	Variables	Cronbach's Alpha
1.	Knowledge of banking services	0.848
2.	Application of banking services	0.762
3.	FI (overall)	0.712

Source: Field survey

Respondents' Gender vs. Financial Literacy, Level of Awareness and Level of Understanding
Table no. 2 shows the average scores of gender towards Financial Literacy, Level of Awareness and Level of Understanding. The mean scores i.e., 3.68 and 3.62 between men and women respondents show that the Financial Literacy is slightly higher among men as compared to women. Similarly, Level of Awareness of banking products is more among men (3.39) as compared to women (3.14). Adverse to these findings, Level of Understanding of various banking products is found less in both the gender. (1.88 and 1.57). In all these variables, average score of men is, however, recorded slightly at the higher side than women.

Table No. 2: Descriptive Statistics on the basis of Gender

Variables	Gender	N	Mean	SD
Financial Literacy	Male	211	3.676	0.315
	Female	167	3.618	0.334
Level of Awareness	Male	211	3.393	0.808
	Female	167	3.141	0.824
Level of Understanding	Male	211	1.878	0.634
	Female	167	1.569	0.444

Source: Field survey

Student's t-test was conducted to find the presence of significant difference between the mean score of gender towards Financial Literacy, Level of Awareness, and Level of Understanding. Table no. 3 shows that there is a significant difference in the mean scores of men and women respondents towards Level of Awareness and Level of Understanding ($p<0.05$). Thus, this finding supports working hypotheses H_2 and H_3. On the flip side, no significant difference in the mean scores of men and women respondents were found towards Financial Literacy ($p>0.05$) and therefore, H_1 is not accepted. Financial inclusion scenario is not satisfactory in Bhutan. Among many factors, far distance of bank branches, lower level of awareness of banking products, and lack of timely delivery of financial services to the people are some of the key factors responsible for higher financial exclusion rate in the country. Findings from the literature propose low-priced and on time delivery of banking services for enhancing financial inclusion in the country (Raihanath, & Pavithran, 2014).

Table No. 3: Results of t-test

Variables	Levene's test for equality of variance			t-test for Equality of Means		
		F	Sig.	T	d.f.	Sig. (2-tailed)
Financial Literacy	EVA	0.488	0.485	1.737	376	0.083
	EVnA			1.725	346.510	0.085
Level of Awareness	EVA	0.169	0.681	2.978	376	0.003*
	EVnA			2.971	353.139	0.003
Level of Understanding	EVA	18.746	0.000	5.354	376	0.000*
	EVnA			5.572	370.891	0.000

Source: Field survey

**Significant at five per cent level of significance*

EVA = Equal variances assumed, EVnA = Equal variances not assumed

Financial institutions of the nation play crucial role in enhancing Financial Literacy. Banks with their various mechanisms such as FL, KYC[2], branch expansion, and mobile banking (Raihanath, & Pavithran, 2014) play pivotal role in this regard. Beck, Asli, Kunt, & Peria (2007) argued higher banks density and access of banking services in terms of remote location for better outreach as well as for higher Financial Literacy.

Respondents' Education vs. Financial Literacy, Level of Awareness and Level of Understanding

Table no. 4 shows education-wise analysis in the context of Financial Literacy, Level of Awareness and Level of Understanding. In case of Financial Literacy and Level of Awareness, the average scores are greater than 3. This delineates the presence of financial literacy and awareness of banking products among all education level of respondents. On the contrary, in case of Level of Understanding, the mean score of less than 3 shows lower level of knowledge of banking services among all level of education of the respondents. Agent banking services of the banks has been traced as one of the prime reasons for availing banking services by the people, especially those living in villages. In one of the studies in Kenya, agent banking services was found significant for higher financial inclusion (Waihenya, 2012). Besides, m-Bob (mobile banking) seems to be very common platform for the people to transfer their money from one account to another account in the country. The mBob facilities have also been used by the people to pay shopping and electricity bills.

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[2]   Know Your Customer

Table No. 4: Descriptive Statistics on the basis of Education

Variables	Education Level	N	Mean	SD
Financial Literacy	No formal education	162	3.593	0.342
	Below 10th Standard	120	3.722	0.287
	10th Standard	44	3.641	0.338
	Upto 12th Standard	26	3.741	0.237
	Graduate	26	3.603	0.360
	Total	378	3.650	0.324
Level of Awareness	No formal education	162	2.930	0.794
	Below 10th Standard	120	3.336	0.696
	10th Standard	44	3.653	0.642
	Upto 12th Standard	26	3.850	0.855
	Graduate	26	4.025	0.677
	Total	378	3.282	0.824
Level of understanding	No formal education	162	1.527	0.429
	Below 10th Standard	120	1.714	0.474
	10th Standard	44	1.940	0.585
	Upto 12th Standard	26	2.077	0.667
	Graduate	26	2.539	0.782
	Total	378	1.742	0.578

Source: Field survey

Table No. 5: Results of Analysis of Variance

Variables	Education	Sum of Squares	df	Mean Square	F	Sig.
Financial Literacy	BG	1.430	4	0.357	3.487	0.008*
	WG	38.231	373	0.102		
	Total	39.660	377			
Level of Awareness	BG	49.143	4	12.286	22.182	0.000*
	WG	206.594	373	0.554		
	Total	255.737	377			
Level of Understanding	BG	28.725	4	7.181	27.494	0.000*
	WG	97.427	373	0.261		
	Total	126.153	377			

Source: Field survey
Significant at five per cent level of significance
BG = Between Groups, WG = Within Groups

Table no. 5 highlights statistical significant difference in the mean scores of different educational groups for all the variables i.e., Financial Literacy, Level of Awareness, and Level of Understanding (P <0.05). Further, the post hoc test was conducted to find out the difference between the educational groups towards Financial Literacy, Level of Awareness and Level of Understanding following the homogeneous subset test. These tests show no statistical difference in the average scores among any of the educated group. The overall analysis thus rejects the alternate hypothesis H_4.

Conclusion

The entire analysis concludes the presence of Financial Literacy among respondents in selected Gewogs (Blocks) of Bhutan. However, the results do not indicate strong level of Financial Literacy among them. Further, the inferences depict the satisfactory level of respondents' awareness of different banking products that are available in their respective bank branches. The study on the contrary shows low level of understanding of the banking products among the sample respondents. Most of the sample respondents were found aware of those banking products which they acquire/hold at their disposal. On the flip side, the understanding level of these respondents is found low on those products that they do not acquire/hold. Compared to other developing countries, the banking sectors in Bhutan are at its infant stage of development. With the better financial inclusion scenario in the country, the perception level may increase in future.

Scope for further research

This study was conducted on the selected Gewogs (Blocks) in Bhutan. The inferences of this study, therefore, cannot be used to conclude the scenario of the entire nation in terms of perception of banking products among people. The study is primarily based on primary data and hence, perception of the respondents may change in future. Further, the number of sample size may increase provided the areas (in terms of blocks) get increase in future. These limitations of the study, thus, open a wide scope for the researchers to conduct research on the topic. Besides, few qualitative data may be obtained by interviewing branch managers, key personnel of agent banking services and village headman. These data may be analysed and validate the inferences drawn from primary data analysis.

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