

**University of West-Hungary
Faculty of Economics**

**THE ROLE OF BANK MARKETING IN THE IMPROVEMENT OF
FINANCIAL LITERACY**

Theses of PhD Dissertation

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1. INTRODUCTION

1.1 Significance of the Theme

Nowadays an intensive development can be seen in the financial service industry. Owing to the facts that financial markets are growing global, product innovations are accelerated and sales channels are expanding continuously more and more products that are subject to market price fluctuation, have a high risk profile and a more and more sophisticated nature have appeared at the supply market (e.g. foreign currency loans, contingent interest deposits, combined savings, unit-linked and home insurance linked constructions, certificates, warrants, etc.) These constructions involve an increasing level of risk which is mostly devolved to clients by the providers. Simultaneously, several researches have shown that the number of people unable to understand even relatively simple financial products is also growing in Hungary, similarly to international tendencies, as they have never had a chance to participate in any financial education. The number of people taking too many risks has been increasing frightfully since 2004, thus an even alarming future has been foreseen and numerous questions have been raised. How far can it be continued? **How far can customers of a low level of financial intelligence maintain the situation?**

The burst of the global financial crisis has given painful answers to these threatening questions. The contagion spread irremediably and also reached Hungary. The intensive spread of the 'epidemic' was remarkably assisted by the media. Day by day we could read or listen shocking news about the excessive risks taken by banks, the bubble burst of the estate market, the stock of the continuously increasing non-repaid loans, the loss of value of estate prices, the tightened conditions for loans, the crisis of confidence at the interbank market, the dismissals at workplaces, the income shock, the narrowing monetary market liquidity, etc. It is small wonder that consumer confidence indexes plunged to their ever lowest level in January 2009.

Risks mentioned earlier as potential scenarios appeared in the everyday life creating a futureless situation every day. Households were attacked from more sources. Consequently, they became unable to repay their loans and their savings lost value from one day to the other. In a blink, panic and general distrust were generated against providers and particular types of products.

The consequences of the financial crisis affect the bank sector more and more significantly as there is a continuous increase in the stock of non-repaid loans of which the loss of value and provision put immense load on the participants of the supply side. The ever decreasing income position has even been worsened by the introduction of final-repayment and banking tax.

Parallel with these market tendencies, using financial services has been accompanied by **emotional dimensions** such as insecurity, fear, anxiety and disappointment. It is no wonder customers are **looking for support**. Classical customer service and assistance must be completed with new elements and tools which support and strengthen clients emotionally. The necessity of managing the psychological projection **challenge** providers in a different way. Like psychologists banks have to regain customer trust and help their clients with healing their 'spiritual illnesses'.

A crucial part of the therapy involves the **improvement of financial consciousness** since the lack of financial knowledge encumbers not only the living standards of people– particularly in this difficult situation generated by the present financial crisis– but it also increases the levels of risk significantly in the bank sector.

1.2 Aims of the Research

The primary aim of the dissertation is to justify that bank marketing has a highlighted role in the development of financial literacy and building confidence which challenge banks. The strategy has to be reconsidered, the current range of tools has to be enlarged and renewed in an environment full of challenges. In order to reach the above mentioned target the dissertation:

- **outlines** the major market tendencies and trends that truly reflect the mood of the market, the changes of the frames of our lives, the modified problems of decision making, priorities and requirements of the society from the era prior to the financial crisis to the recent times;
- **identifies** the role of banks in financial intermediation, defines the specifications of banking operations and marketing specifications of financial services based on the '7P' system;

- **defines** financial literacy, identifies its main features and key components responsible for its shaping. Based on the above, my dissertation creates the competence-model of financial literacy, which means an important fundament when using financial services;
- with the help of the results of international and local researches **justifies** that the level of financial literacy is low, and emphasises why its improvement has a high priority and why it is focused in the framework of economic growth. The aim of the project focusing on financial intelligence is twofold: firstly, to spread knowledge and information in the widest circle possible and then to awaken people to the consciousness of the sensible practical use of acquired knowledge;
- **details** the activities of public institutions, i.e. the Central Bank of Hungary, the Hungarian Financial Supervisory Authority and the Hungarian Competition Authority, struggling enthusiastically for the successful realisation of the project;
- **points out** that an increasing responsibility is shifted to the system of financial intermediary institutions in order to succeed in the realization of the national programme. The dissertation gives examples and analyses steps, measures and initiatives taken by the eight big local banks for the purpose of increasing financial literacy;
- by analysing in-depth interviews representing the quantitative pillars of empirical research **searches** for the answer to the following questions: how bank managers see market tendencies and external intermediaries, what they mean by responsible banking, what priority the improvement of financial literacy owns in the strategy, how they consider the future and what they believe the biggest challenge is;
- within the framework of online questionnaires of quantitative research **observes** the components of financial literacy, the penetration of financial services, the strength of provider liability, the key factors of building confidence as well as identifies components which represent high risks for clients and are able to make a massive destruction in confidence. Finally, it examines to what extent clients consider banks responsible for spreading financial knowledge;
- based on the findings of the research it **identifies** the gaps to be utilised in bank marketing that need more attention, and lists the stock of tools in one model that can generate new values.

1.3 Hypotheses of the Research

Based on the secondary research the following hypotheses have been stated.

H1: Customers feel insecure, so there is an increase in perceived risks when using a financial service.

The lack of confidence was accompanied by insecurity. After the financial crisis households have been shocked in several ways. Dismissals at workplaces, loss of income, payment and repayment problems harden everyday life. Consequently, it can be assumed that the level of risks perceived by customers is getting higher as regards financial services. Market tendencies shown by secondary information and customer confidence indexes unanimously reflect the mood of economic participants.

H2: The financial crisis brought a particular change in the trends due to which providers built new foundations for their strategies.

Several experts considered the financial crisis as a change in the trends since a number of new challenges had to be reacted to by the financial providers subsequently. The era of blind flight ended, banks took a new direction in order to regain customer confidence.

H3: Clients consider banking services complicated; most of them use basic services.

More and more constructions enter the range of services and there is a growing number of products which incorporate a remarkably high level of risk. As regards investment units clients can choose from over five hundred types and they can also find a wide variety of structured or contingent interest products. The dissertation aims at proving that as opposed to growing supply customers mostly use basic services.

H4: The higher a person's ability to risk taking is the more financial services they use.

Several researches have shown that Hungarian people tend to avoid risks, which can also be proven in case of their behaviour of choosing a product. They mainly search for safe constructions of countable features. The dissertation examines the interdependence between the ability of risk taking and product penetration.

H5: The severity of regulations following the financial crisis solved the problems appeared earlier at the external intermediary market supporting sales.

In the years prior to the financial crisis the network of external agents increased in a remarkable way. It was described in the analysis that credit intermediaries brought plenty of

new clients to the providers. However, in the background more factors of risk were hidden. On the one hand, almost anybody could become a financial advisor even without having a financial qualification, candidates could start selling financial services after participating in a two to three days' course. On the other hand, the market was commission-driven those days, most agents living off their commission did not deal with their clients' real needs, most of the time the product bringing the most commission was sold to those in need. Several times they levied an intermediation fee doubly, not only from the provider but also from the client. After the financial crisis it was also proven that the majority of problematic customer loan businesses were brought to the banks by intermediaries. Thus, several banks interrupted their connections with external sales people. Meanwhile, the environment of regulations was also tightened since the above activity could only be pursued in case the person had an advanced level professional degree. Candidates without this certificate had to take an examination specified by the Hungarian Financial Supervisory Authority. What is more, external advisors have to report to the client where they receive their commission from and they have to bring at least three quotations for making the right decision. The dissertation searches for the answer to the question of whether the intermediary market was cleaned due to the restrictions and the decreased needs of loans.

H6: After the financial crisis banks strengthened their mobile banking system within the internal network of sales.

After the financial crisis, as it was outlined in hypothesis H5, the external intermediary market was remarkably restructured. Banks definitively cut off their connections with more external intermediaries, e.g. Erste Bank totally stopped their network of external agents. In the range of their partners only advisors having several years of experience, of solid capital and of good previous contact with the bank could remain. As the confidence in external agents was weakened in a number of ways and the circle of partners remarkably decreased, the author presumes that providers will rely on their internal mobile banking system again and they will strengthen this particular sales pillar as it can incorporate immense power.

H7: Clients consider the human factor highly important when using financial services.

Clients try to find a supporting hand in connection with the financial activities that become more and more complex. Advisors can bring valuable assistance for clients to escape from the labyrinth. In this insecure environment clients are in particular need of professional help, they rely on the expertise and comprehensive instructions.

H8: The majority of respondents consider banks responsible for improving financial literacy.

Due to the financial crisis the role of responsible banking has been reevaluated. It is no wonder that we have encountered the expression of responsible banking in the recent years. In Hungary it can be seen most of all in connection with foreign exchange loans. The author intends to prove that clients also consider providers responsible for broadening financial knowledge, which, at the same time, indicates the requirements as well.

The primary research was planned on the basis of the above hypotheses and the hypothesis testing was carried out based on its findings and on secondary information.

2. METHOD OF THE RESEARCH

Primary data collection was carried out with the help of qualitative and quantitative techniques. Qualitative research involves an unstructured research method of revealing nature, which is based on few samples and serves understanding the problem (Malhotra, 2009). A total number of fifteen persons were involved in **in-depth interviews** in order to reveal the respondents' motivations, views, attitudes, impressions, notions and feelings. In the survey senior managers (branch managers, area managers and team leaders) of eight big banks, three credit unions and one small bank as well as the directors of two companies dealing with intermediary financial services were questioned. One of the interviewees holds the position of the managing director of a company and has several years of bank managing experience. Sampling was not occasional but based on previous acquaintance and recommendations. The research targeted managers as they regularly participate in central meetings, discussions and so they can primarily experience the challenges and problems to be solved and they have a wide perspective on strategic conceptions and areas to be developed. The questions referred to the estimation of current market tendencies, challenges, vision, external intermediary side and internal banking agents; to the emphasis on the meaning of responsibility; and to the priority of the improvement of financial literacy.

During the interviews notes were taken and major results and statements were incorporated in the dissertation. Due to the rigorous internal regulations of banks it was banned to make a voice recording and referring to confidentiality agreement of banks none of the interviewees agreed on indicating their names in my dissertation. The research lasted from the beginning of January 2012 to the end of February. However, in order to justify the hypotheses in February 2013 another contact was made with the previous interviewees on the phone.

The other pillar of primary research was carried out with the help of a quantitative research technique, more precisely with **questionnaires**. Using this method data can be converted into figures, so they are suitable for statistical analysis.

The questionnaire was recorded on the website kerdoivem.hu. To gain random samples for statistical evaluation the company kerdoivem.hu made the sampling by accessing 2046 people. The questionnaire mainly contains closed questions, i.e. the respondents could choose from given alternatives, they could mark their answers on a five-grade scale; they could rank their impressions and feelings similarly to school grading. The questionnaire 'The Analysis of the Components of Financial Literacy and Confidence' is available at the following link: www.kerdoivem.hu/kerdoiv/516195299/ and it contains the following main parts:

- I. *Basic data*: demographic characteristics.
- II. *Assessment of the components of financial literacy*: financial opportunities, financial knowledge, service penetration.
- III. *Judgement of confidence between the provider and the client*: key parameters of building confidence; identification of critical factors ruining confidence; revealing main factors of risk in case of using financial services.
- IV. *Sources of gaining financial knowledge*: informational sources used for making financial decisions (persons, websites, tools).
- V. *Consideration of financial literacy and provider responsibility*: judging the responsibility of banks and current activities.

Online questionnaires were launched on 6 January 2012 and closed at the end of February 2012. The target area of the research was the Transdanubian Region, county Pest and Budapest. However, some questionnaires were completed in other counties of Hungary as well. Thus, fact finding was carried out by accessing 2046 people. Processing data was supported by the Excel programme of Microsoft and by the versions 17.0 and 19.0 of SPSS data analysing and statistical software. For a data analysing method statistical indicators in connection with frequency distribution, crosstabs, cluster analysis and multidimensional scaling were involved. A graphic display of the results was helped by graphs and diagrams made in Microsoft Excel programme. When analysing crosstabs the relation between criteria was described by χ^2 -probe (and at the same time by the Cramer coefficient in the descriptive sense) in case of criteria measured on a nominal scale. As for the ordinal scale more precise data can be received by the Spearman's rank correlation coefficient, so it was then calculated and analysed.

In questions 21-27 of the questionnaire the aim was to analyse what customers consider as key components when using financial services. For a deeper analysis of the total results the author carried out a cluster analysis with the help of SPSS programmes (SPSS 17 Statistics). A cluster analysis is a collection of methods which classify the surveillance units or cases into relatively homogeneous groups, the so-called clusters. The elements of each cluster are similar to each other and different from the elements of other clusters. In the field of marketing there is a widespread use of cluster analysis, e.g. market segmentation, comprehending customer behaviour, revealing new market potentials or choosing test markets.

- The optimal number of clusters was defined in connection with a dendrogram created for the respondents with the help of the SPSS. The analysis was supported by the methods of hierarchic and K-means cluster analysis.

The analysis of risk factors in question 35 was realised with the technique of multidimensional scaling (MDS). The process of dimension reduction displays the conceptions and preferences of the respondents in a graphical way. It tries to turn a great number of variables into few variables in a way that the majority of information is kept. Methods requiring ordinal scales (ALSCAL and PROXCAL) were used. The next step involved the assessment of the tables and diagrams which were created on the basis of the above techniques, the results of which are detailed in the following chapter.

3. RESULTS OF THE RESEARCH

The results of the twofold primary research are shown in a way that they are embedded in the hypothesis testing.

H1: Customers feel insecure, so there is an increase in perceived risks when using a financial service.

The lack of confidence was accompanied by insecurity. After the financial crisis not only market trends but also customer confidence indexes reflected the mood of the participants in the economy. The customer confidence index of GKI Economic Research Co. reached its nadir in the first quarter of 2009 and then there was a growth until the end of 2010. Then it stopped and was followed by a constant decrease. From the first quarter of 2012 a slight increase was felt again but due to some periodic slides insecurity can still be felt.

Due to the insecurity perceived risks are also increasing. In question 35 of the questionnaire nine factors of risk were listed which can appear when using financial services. The

respondents used a one to five scale to decide how risky they consider these factors. As a result of the multidimensional scaling the variables were indicated on the outcrop map found below.

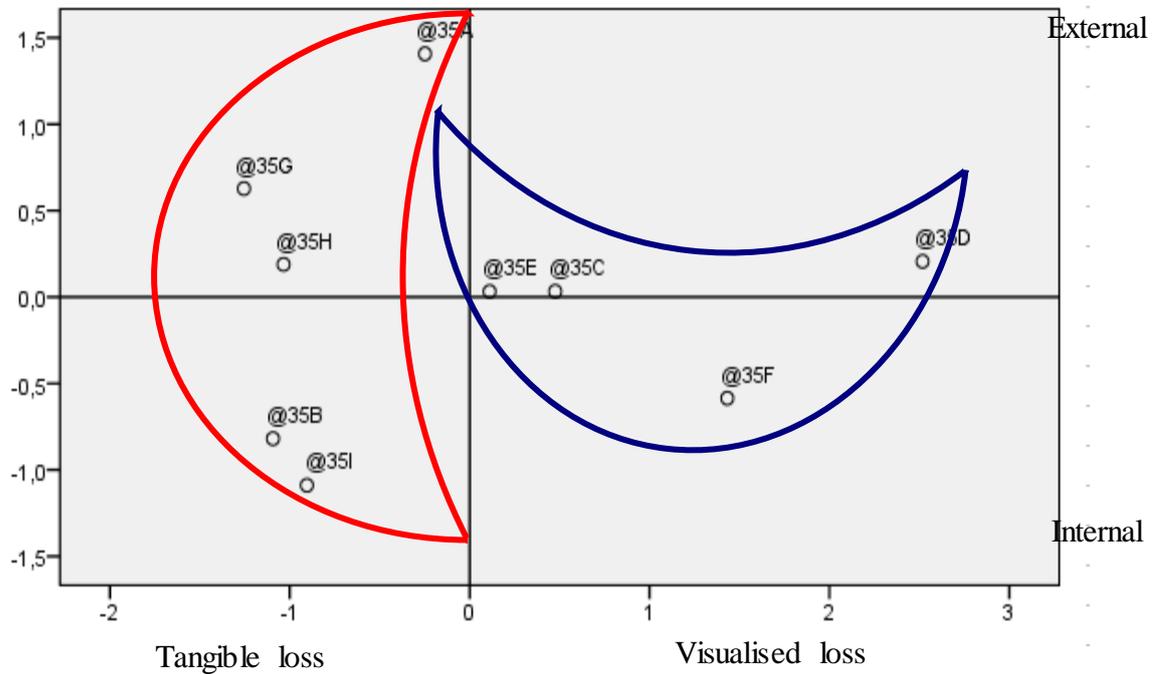


Figure 1: Perceived critical risk factors

Source: based on the results of the author's primary research in 2012, created in SPSS version 17.0.

The horizontal axis shows losses and fears of people while the vertical axis represents the place of appearance of the risk, which has an external projection (product risk, human factors) sourcing from the provider side and an internal risk exposure which can rather be connected to clients. The occurrence of the factors belonging to the area marked with red colour on the left side of the diagram would cause remarkable financial losses and would make an overwhelming mental impact on the respondents. It is no wonder that the five most critical factors 'the financial provider will go bankrupt', 'my invested capital will be lost', 'my attention is not attracted to each risk related to the particular product', 'my financial situation will get worse' and 'I will not be able to repay my current loan' can be found on the left side of the diagram: the respondents face them almost every day. What is more, clients perceive further risks of the service level marked with the blue 'crescent' as well, i.e. some complicated, non-transparent products and insufficient information, which generates further insecurity.

The pertinence of hypothesis H1 was justified by the results of both the primary and the secondary research.

H2: The financial crisis brought a particular change in the trends due to which providers built new foundations for their strategies.

Banks had to change their policy of blind flight prior to the financial crisis. Backed by the opinion of several bank managers the secondary research proved that the financial crisis could be regarded as a change in the trends in the financial service sector. On the way of regaining confidence the two key factors of the strategy are stability and adaptation. Banks continuously struggle for the confidence as well as build a more solid basis of the systems of risk management. Besides, on behalf of responsible crediting they maintain partnerships for the arrangements of debtor protection and repayment-ease programmes. Thus, the attitude to adaptation to the market tendencies, keeping customers, paying more attention to current customers and responsible banking has become a crucial part of their strategy based on the following thoughts: 'As opposed to previous practice a socially responsible venture does not mean blind flight in which the pilot of the enterprise sweeps to reach the ultimate goal of maximising profit at top speed irrespective of all social consequences. Managers in favour of social responsibility urge to compensate the full impact of their ventures and form their business operations along with the interests of the local, national and global communities.' (Ágoston, 1996, p. 7.)

The above tendencies were strengthened during the in-depth interviews with bank managers, so hypothesis H2 was accepted.

H3: Clients consider banking services complicated; most of them use basic services.

More and more constructions enter the range of services and there is a growing number of products which incorporate remarkably high risks. As regards investment units clients can choose from over five hundred types and they can also find a wide range of structured or contingent interest products. The survey points out that the rate of basic services connected to bank accounts is 3.96 pieces per person. Among the most utilised services we can find using a bank card (money withdrawal from ATMs and shopping), internet banking, money transfer orders and direct debits (of public utility fees). Regarding saving/ investment services 1.68 products belong to one person. Among the most preferred forms life insurances, deposits, voluntary pension funds and savings for home constructions can be found. Alternative investment solutions (securities, Treasury bills, bonds, shares and structured savings and contingent interest constructions) are preferred by only 20% of the respondents. At the same time, their portfolio contains several types of constructions. According to the research 38% of the respondents do not have any savings at all. The number of people owning self-care

products is outstanding. It might be due to the fact that the majority of people feel that they cannot count on anybody but themselves as regards their future. On the credit side current account loans, credit cards, mortgages and home related loans are preferred.

It can be stated that most people use basic services, so hypothesis H3 was also accepted.

H4: The higher a person's ability to risk taking is the more financial services they use.

Several researches have shown that Hungarian people tend to avoid risks, which can also be proven in case of their behaviour of choosing a product. They mainly search for safe constructions of countable features. On the basis of the ability to risk taking the number of products per person exceeds the average of the full spectre of samples in each service group for those who consider their risk taking ability as that of a high level. Compared to the average there is a significantly high number of products per person in case of self-care products, constructions of middle-range risk (e.g. bonds, contingent interest deposits) and bonds of high risk.

All the facts above prove hypothesis H4 meaning that customers of higher risk taking abilities boldly enlarge their stock of financial services.

H5: The severity of regulations following the financial crisis solved the problems appeared earlier at the outer intermediary market supporting sales.

Prior to the financial crisis several problems were revealed in connection with intermediaries, which were listed as a starting point of hypothesis H5.

Due to the impact of the financial crisis, the environment of regulations was tightened since the activity could only be pursued in case the person had an advanced level professional degree. Candidates without this degree had to take an examination specified by the Hungarian Financial Supervisory Authority. What is more, external advisors have to report to the client where they receive their commission from and they have to bring at least three quotations for making the right decision. Based on the above, it could be assumed that the previous problems were totally eliminated due to the restrictions. However, the in-depth interviews proved the opposite. The secondary research and the in-depth interviews highlighted that the market was significantly cleared after the crisis but several problems still exist, such as:

- Partnering commissions are not unified, so intermediaries take the client to the provider that offers a higher amount of intermediation fee for a particular business. Thus, service offer based on clients' needs is still damaged. However, some positive

processes can also be seen in this field. Brokernet, for instance, has created a unified internal system of commissions.

- Also, there is an excuse for the regulation of three compulsory offers as e.g. intermediaries make clients sign that they insisted on a specific product exclusively. So, in this way there is no need for three different offers.

It would be highly recommended to introduce a strict system similar to the one used voluntarily by the Hungarian Association of Qualified Financial Planners in order to register, qualify and control financial advisors.

Hypothesis H5 was refused due to still existing problems.

H6: After the financial crisis banks strengthened their mobile banking system within the internal network of sales.

After the financial crisis not only the number of external financial advisory offices were reduced but also banks lost confidence in external intermediaries. Consequently, it can be presumed that providers start utilising the system of inner mobile banking again and they strengthen this sales pillar as it can have great power. As opposed to this, during the in-depth interviews it was revealed that even banks (Budapest Bank, Raiffeisen Bank, CIB Bank) that had made remarkable efforts to build the system eliminated this network totally. Also, UniCredit Bank reduced the number of its mobile bankers significantly. Among the banks participating in the interviews only OTP Bank launched its mobile banker system as an experimental step. In case it succeeds further developments will be taken.

Thus, on the basis of the information deduced from the in-depth interviews hypothesis H6 was not accepted.

H7: Clients consider the human factor highly important when using financial services.

Clients try to find a supporting hand in connection with financial activities that are more and more complex. Advisors can incorporate highly valuable assistance in it. In this insecure environment outlined in the dissertation the customers using a service truly require the help of a specialist and they count on their competence and comprehensive information. It is also proven by the results of the research of financial literacy (2010) executed by the Central Bank of Hungary- GfK. It stated that the respondents use the information directly received from the advisors of financial providers at the first place.

Advisors also appear among the crucial factors in the segments (except for one) created within the framework of the cluster analysis of the own research of the author. Moreover,

responses to question 37 of the questionnaire justify hypothesis H7 as well. To the question 'Before making a financial decision who do you ask advice from as regards the below listed persons?' the majority of the respondents (24.3%) chose the advisor of the financial provider.

Due to the above reasons hypothesis H7 was accepted.

H8: The majority of respondents consider banks responsible for improving financial literacy.

After the financial crisis the expressions of responsible banks and banking became highlighted. Responsibility can involve supporting key strategic areas (sports, health care, culture, education, arts, financial literacy); helping clients in financial need due to the financial crisis; supporting the medically and socially handicapped and creating attractive workplaces. The previous list also indicates that initiatives targeting the improvement of financial literacy have entered the programmes of responsibility. Aligning with the theme of the dissertation it was observed to what extent the respondents consider providers responsible for spreading financial information. Assessing the answers for the question serves, at the same time, the base of the analysis of the last hypothesis. The activities of the providers aiming at the spread of financial literacy were graded as a massive mark two (2.46). On the other hand, the responsibility of financial providers received a mark of 3.87. The average of the marks given by the participants in the in-depth interviews was 4.12. So, it can be concluded that the representatives of both banks and credit unions believe that social responsibility is highly important.

Hypothesis H8 was accepted due to the results of the primary research.

It can be concluded that six out of eight hypotheses were accepted while two of them were refused. Consequently, 75% of the initial hypotheses were justified.

3.1 New Scientific Results

Based on the results of the secondary and multifocal empirical researches the following new scientific results have been created.

1. By taking the components and levels of competence as well as the 'iceberg model' of literacy into consideration and adjusting them to the components of financial literacy the *competence model of financial literacy* has been created. At its lowest level which is hard to develop habits, norms, values and attitudes can be found. The middle level is occupied by abilities and at the highest level we can find financial knowledge, expertise and skills which are easy to improve. As a supplement of the model key

factors responsible for shaping our financial literacy was listed. They provide a crucial base of researches aiming at the assessment of financial literacy and programmes of improvement.

2. The author has created the *behavioural model of clients using financial services*.

At its first two levels several factors responsible for generating a stimulus can be found. With the help of them clients can recognise the problem and enter the way of making a decision. In this phase tools that big banks introduce in order to improve financial knowledge have a crucial role. Thus, in the dissertation *the author observes the activity through citing examples of the remarkable participants in this field*. At the next level of the model motives responsible for making the decision can be found, for instance previous experience, components of the service, the role of personal recommendations and the anticipated risks which incorporate insecurity and danger for customers. Finally, phases of post-purchase appear within the frame of which users compare perceived performance and expectations.

In order to create the model an important theoretical base was provided by the technical literature of service marketing and the consumer behaviour model of Kotler.

3. Based on the result received from the questionnaires of the primary research *confidentiality dimensions related to financial services were given a more thorough analysis*:

a.) The author *identified the key parameters of building confidence* (fair and clear operations of the provider, safe products with features easily calculated, transparent pricing, widespread network of ATMs, well structured, user friendly website which supports acknowledging financial products, precise fulfilment of orders, expertise and competence of advisors) and also the critical factors ruining confidence when using a financial service.

b.) By further deepening the research, *based on the factor of confidence some groups of clients can be recognized*. Hierarchical clustering renders 4 groups of which K-means cluster analysis confirmed two and also created a new segment. The main feature of *'prudent customers using banking services'* is that they collect information in a thorough way before using a financial service and make up their mind prudently and not hastily before making a decision. *'Trend follower, active customers using banking services'* are characterised by the fact that they prioritise

the latest directions and circumstances. They are open to novelties and innovative solutions. *'Customers using banking services in person'* prefer direct sales so they find customer friendly opening hours and the possibility of date pre-arrangement important. *'Customers using e-banking services'* mostly manage their finances electronically. It is no wonder that they identify the possibility of user-friendly electronic banking, well organized websites and well operated technical systems as a priority factor. In the 5th cluster *'customers striving for simplicity'* can be found. They prefer transparent and safe products.

4. With the help of multidimensional scaling *primary factors of risk of using financial services were identified on an outcrop map*. Five of them appear in the minds of the respondents in a highly critical form. These factors causing anxiety need specific attention as they significantly determine the decisions and behaviour related to financial service.
5. Both the results of the questionnaire survey and the in-depth interviews provided a solid base for creating the *'7-T' model which represents the base of bank marketing strategy*. The model lists the key elements which can become a crucial part of the two key aims, i.e. of reconstructing and maintaining confidence, and improving financial literacy. The expression '7-T' is derived from the initial letters of the Hungarian equivalents of the below listed elements. The author points out that the components of the model – **T**rendkutatás (Trend Research), **T**örődés (Caring), **T**ranszparencia (Transparency), **T**artalom (Content), **T**ársadalmilag felelős gondolkodás (Socially responsible thinking), **T**isztesség (Fairness), **T**ürelmesség (Patience) – are all indispensable followers of an advisory process since they open the way of the effective **management of emotional motifs** (insecurity, fear, anxiety and disappointment) representing new challenges.

4. CONCLUSIONS AND SUGGESTIONS

Due to current tendencies overwhelming our everyday lives it is easy to perceive that the lack of financial intelligence for making decisions can cause crucial problems and bear further risks. In the post-'demolition' reconstruction the two most important challenges are to **regain confidence** and **improve financial literacy**. Financial providers react to challenges generated by the trends in several ways but there are some gaps to be utilised which need more attention. They provided a base when creating the **'7-T' model** of bank marketing strategy. Its

components might be solid pillars of building a future, so of a **fair competition, transparency, trustworthiness, creating customers' financial conscience, reaching business targets of financial intermediaries**, fulfilling growth expectations and **creating attraction**.

4.1 Theoretical Relevance of the Research

The novelty of the dissertation lies in the fact that the central theme connects two scientific fields- the disciplines of finances and service marketing, more precisely banking marketing. The whole dissertation is characterised by interpenetration as it is impossible to analyse the features of financial services, the customers' behaviour and the marketing activities of banks without being aware of market tendencies, financial processes and products. As the technical literature of bank marketing is not sufficient enough in Hungary the dissertation can provide an excellent base of **writing a technical book** which can complement currently available publications on mainly general service marketing.

4.2 Potential Practical Use of the Research

In an environment full of challenges the **'7-T' model** of the strategy of bank marketing can serve as an excellent base for financial providers as it aggregates all **key components** which cannot be ignored nowadays. The other models that were also created- the competence model of financial literacy and the behavioural model of customers using financial services can be a starting point of further researches and development programmes. Also the groups identified during the cluster analysis are worth having a look at as they showed the confidence factors of using financial services. Based on them, several motives were identified that banks have to take into consideration. The majority of these motives is identical to the components of the **'7-T'** model.

As a result of multidimensional scaling (MDS) the main factors of risk were displayed on an outcrop map according to the way they create anxiety and fears in the minds of the respondents. They even involve an important message of the disciplines of deeper psychology so they are indispensable for the marketing strategy of banks.

4.3 Suggestions for Further Research

1. Value analysis of basic banking services.

Due to value analysis it is possible to identify the expected value of a product or service by a customer and to create it with the smallest input possible. It is important to exclude factors

that do not participate in the creation and maintenance of value. It is crucial as the efficiency of a product or service is decreased by the sacrifice and costs paid for it. Value analysis must start by revealing customer needs and on the basis of them the functions required by the users are due to be identified. Emerging costs and expenditures must be reduced to the lowest level possible. Also bank services are suitable for carrying out a value analysis as they obtain a particular function, they have related costs, and the customers add different values to them. Value analysis in the field of basic banking services (account management, use of bank cards, taking out loans, deposits) supports the cost rationalising programmes, the concepts of product innovation, initiatives of quality improvement and enhancing competitiveness.

2. Study of the efficiency of CRM systems in the practice of banks.

CRM systems make it possible for banks to fulfil their profit requirements by managing customer relations in an effective way. They can offer a solution to several activities and processes, e.g. customer services, call centres, cross selling, managing information, etc. They might be regarded as a tracking tool that watches the users' every single step right from the beginning, records their transactions and interactions with the provider, i.e. telephone calls, website browsing, reactions to offers and marketing actions. As regards their function they are similar to case-records of patients; by having a look at the system we can see the whole profile of a particular customer. The number of customers, customer income and the number of lost customers can also be revealed. Furthermore, it is possible to analyse the customer value and the attitudes due to different marketing actions. Information found in the database means a solid base of marketing activities. Is it then worth observing what opportunities these systems hold? What are CRM applications used for in the bank practice? What is the experience as regards the CRM system? Do financial providers utilise the opportunities? What are the burdens of the use of the system?

3. The role of coaching at the market of financial services.

The activity of coaching is generally referred to as 'education while working'. In the practice of the big banks of Hungary the role of the coach is usually filled by the branch manager or the sales manager. However, it can occur that providers employ external coaches. Trainers must possess several years of sales experience; thorough grounding in psychology, leading and negotiation; a good command of person and personality features; suitable communication skills; and sound knowledge of questioning techniques. Their personality traits must involve realistic self-esteem, quick decision making and reaction skills, empathetic behaviour as

regards the partner. Coaches are responsible for accompanying the interaction, revealing the competences of the advisor, assessing the performance and highlighting the areas to be developed.

With the help of further researches it can be analysed how managers participating in the process as coaches consider the coaching activities of banks, what practical experience they have, which areas they can be the most efficient in, which fields are the most difficult to improve, how front office workers feel about coaching.

4. Analysis of the opportunities of life-cycle marketing.

Several financial providers use the practice of classifying customers based on life-cycles as a segmentational technique. The most common segments are children, youngsters, school-leavers, persons with a family, re-starters and seniors. The differences between life cycles have a crucial importance as different stages attract different financial situations. It means utilising different tools of arranging our financial issues. Within the frame of a primary research it is recommended to analyse what decisions customers have to make throughout their life cycles, what their primary expectations are and what processes take place in their 'black boxes' when using a financial service.

5. Analysis of CSR activities of banks as regards financial literacy and other programmes.

Big banks pay special attention to the social, economic and environmental impact of their operations. In the Report of Sustainability of 2010 Dr. Sándor Csányi, Chairman and CEO of OTP Bank said: 'I am convinced that financial performance and responsible, socially and environmentally conscious, committed operations are inseparable.' The range of CSR tools of banks is wide and more and more widespread: they arrange goodwill programmes, struggle to maintain the needs and values of the social and economic environment and to protect the natural environment. The issue of sustainability is also emphasized. What is more, initiatives of colleague appreciation and retain can also be seen. The dissertation observed the current activities of banks within the frame of the CSR programmes as regards the improvement of financial literacy. The rich and versatile range of tools provides a further base of new research directions.

5. PUBLICATIONS OF THE AUTHOR IN THE THEME OF THE DISSERTATION

Scientific Technical books

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Proofread: Dr. Illés Ivánné College Associate Professor

Balázs né L. Marietta – Gál Erzsébet (under publication): Credit Application, Banking Information Samples and Exercises

Proofread: Dr. Szemán Judit Associate Professor

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