PROFIT

Workpackage 1 – Task 1.2

User requirements

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Stage 1: Identification of potential user groups
- Ad hoc specification of 12 user types/cases
- Consultation with FEBEA members and social partners

Stage 2: Online survey of 494 users
- Self-assessment of own user type
- 6 languages, available to both FEBEA members and non-members
- Suitable for quantitative analysis of user requirements

Stage 3: Interviews with FEBEA FI staff
- 19 interviews; 6 financial institutions; 3 management levels
- Suitable for qualitative assessment of user requirements
## Stage 1: Ad hoc user types

<table>
<thead>
<tr>
<th>User groups</th>
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<tbody>
<tr>
<td>(1) Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed</td>
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<td>(2) Elderly/retirees/pre-retirees</td>
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<td>(3) Migrants/Members of an ethnic minority</td>
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<td>(4) Children/Parents of young children</td>
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<td>(5) Customers: Indebted/Overindebted households</td>
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<td>(6) Customers: Investors/Potential investors/Depositors</td>
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<td>(7) Unemployed/trainees</td>
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<td>(8) Active citizens/taxpayers</td>
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<td>(10) Professionals in financial services/financial experts</td>
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<td>(11) Government executives and political-party members/local authorities</td>
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<td>(12) Collective investors/borrowers/third sector organisations</td>
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Stage 2: Quantitative analysis

- 35 questions in an online questionnaire in 6 languages
  - Demographic characteristics
  - Financial behaviour
  - Financial knowledge
  - Financial literacy training
  - Technological literacy and incentive compatibility

- Initial: 6 banks * 12 user profiles * 3 users = 216 users

- Achieved: 494 responses
  - 353 FEBEA members – 141 non-FEBEA members
  - 248 English – 244 non-English speakers (30 Italian, 120 Greek, 35 Croatian, 33 Slovenian, 28 French)
  - Underperformance in 4 user types: Migrants, over-indebted, government executives, collective investors/borrowers/3rd sector
  - A highly-educated sample (60% above MSc level)
Gender distribution

- All respondents (494)
  - Male: 59.9%
  - Female: 40.1%
- FEBEA (353)
- Non-FEBEA (141)
- English (248)
- Non-English (246)
- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90)
- Elderly/retirees/pre-retirees (71)
- Migrants/Members of an ethnic minority (6)
- Children/Parents of young children (30)
- Customers: Indebted/Overindebted households (8)
- Customers: Investors/Potential investors/Depositors (31)
- Unemployed/trainees (25)
- Active citizens/taxpayers (158)
- Mortgage owners/home owners/first-time buyers (38)
- Professionals in financial services/financial experts (28)
- Government executives and political-party members/local authorities (3)
- Collective investors/borrowers/third sector organisations (5)
Savings

- All respondents (494): 29.4%
- FEBEA (353): 17.0%
- Non-FEBEA (141): 9.5%
- English (248): 12.2%
- Non-English (246): 4.5%
- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90): 8.7%
- Elderly/retirees/pre-retirees (71): 18.8%
- Migrants/Members of an ethnic minority (6):
- Children/Parents of young children (30):
- Customers: Indebted/Overindebted households (8):
- Customers: Investors/Potential investors/Depositors (31):
- Unemployed/trainees (25):
- Active citizens/taxpayers (158):
- Mortgage owners/home owners/first-time buyers (38):
- Professionals in financial services/financial experts (28):
- Government executives and political-party members/local authorities (3):
- Collective investors/borrowers/third sector organisations (5):

Income levels:
- <1 monthly income
- 1-2
- 2-3
- 4-6
- 7-12
- > annual income
- DK/DA
Retirement considerations

- All respondents (494)
- FEBEA (353)
- Non-FEBEA (141)
- English (248)
- Non-English (246)
- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90)
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- Collective investors/borrowers/third sector organisations (5)
Financial advisor (seeking)

- All respondents (494)
  - Husband/wife: 0.8%
  - Close friend: 47.6%
  - Parents: 25.7%
  - Other relatives: 5.5%
  - Independent financial advisor: 6.1%
  - Friends working in the financial sector: 2.2%
  - Unknown experienced people (e.g., recommended on internet): 6.5%
  - A Consumer Protection Agency: 15.8%
  - The bank (insurance or finance company): 14.2%
  - Mortgage broker: 5.0%
  - Other people: 6.1%
  - DK/DA: 5.9%

- FEBEA (353)
  - Husband/wife: 0.8%
  - Close friend: 6.5%
  - Parents: 5.0%
  - Other relatives: 6.5%
  - Independent financial advisor: 22.2%
  - Friends working in the financial sector: 25.7%
  - Unknown experienced people (e.g., recommended on internet): 5.5%
  - A Consumer Protection Agency: 15.8%
  - The bank (insurance or finance company): 14.2%
  - Mortgage broker: 5.0%
  - Other people: 6.1%
  - DK/DA: 5.9%

- Non-FEBEA (141)
  - Husband/wife: 0.8%
  - Close friend: 5.0%
  - Parents: 6.5%
  - Other relatives: 5.0%
  - Independent financial advisor: 22.2%
  - Friends working in the financial sector: 25.7%
  - Unknown experienced people (e.g., recommended on internet): 5.5%
  - A Consumer Protection Agency: 15.8%
  - The bank (insurance or finance company): 14.2%
  - Mortgage broker: 5.0%
  - Other people: 6.1%
  - DK/DA: 5.9%

- English (248)
  - Husband/wife: 0.8%
  - Close friend: 6.5%
  - Parents: 5.0%
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  - Independent financial advisor: 22.2%
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  - The bank (insurance or finance company): 14.2%
  - Mortgage broker: 5.0%
  - Other people: 6.1%
  - DK/DA: 5.9%

- Non-English (246)
  - Husband/wife: 0.8%
  - Close friend: 5.0%
  - Parents: 6.5%
  - Other relatives: 5.0%
  - Independent financial advisor: 22.2%
  - Friends working in the financial sector: 25.7%
  - Unknown experienced people (e.g., recommended on internet): 5.5%
  - A Consumer Protection Agency: 15.8%
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  - DK/DA: 5.9%
Financial risk-taking
Type of financial regret

- Consumer loan
- Mortgage loan
- Current account
- Bank deposit
- Bank debit card
- Bank credit card
- Insurance policy
- Investments in stocks
- Investment funds
- Vehicle/land loans
- Pawn goods
- Loans from microcredit organisations
- Other
- Don’t know
- I prefer not to say
Credit scores and financial ability

- All respondents (494)
- FEBEA (353)
- Non-FEBEA (141)
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- Non-English (246)
- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90)
- Elderly/retirees/pre-retirees (71)
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- Collective investors/borrowers/third sector organisations (5)

Think credit score/report reflects true financial ability
Aware of current credit score/report
Familiarity with financial trends

- Changes in the property market
- Changes in the market indices
- Changes in deposit interest rates
- Changes in the inflation rate
- Changes in the level of pensions, benefits and tax exemptions
Sources of information prior to buying financial service

- All respondents (494)
- FEEBA (353)
- Non-FEEBA (141)
- English (248)
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- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90)
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Legend:
- Advertisements
- Advice of consultants working for providers of a required service
- Analytical materials published in mass media
- Advice of friends and relatives
- Other
- Information materials of financial companies on their tariffs and services of various types
- Recommendations of independent financial consultants or brokers
- Employer’s advice
- Internet forums and blogs
- DK/DA
Sources of financial information and the use of specialised websites
Sources of financial information and the use of specialised websites

- All respondents (494)
- FEBA
- Non-FEBA
- English
- Non-English

- Entrepreneurs/latent entrepreneurs/social entrepreneurs/self-employed (90)
- Elderly/retirees/pre-retirees (71)
- Migrants/Members of an ethnic minority (5)
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- Changes in property market
- Changes in market indices
- Changes in the inflation rate
- Changes in deposit interest rates
- Changes in the level of pensions, benefits, and tax exemptions

Changes in property market: 16.4% of respondents
Changes in market indices: 18.2% of respondents
Changes in the inflation rate: 15.2% of respondents
Changes in deposit interest rates: 14.4% of respondents
Changes in the level of pensions, benefits, and tax exemptions: 14.6% of respondents
Changes in property market: 18.4% of respondents
Changes in market indices: 17.2% of respondents
Changes in the inflation rate: 14.6% of respondents
Changes in deposit interest rates: 18.4% of respondents
Changes in the level of pensions, benefits, and tax exemptions: 16% of respondents

0% 20% 40% 60% 80% 100% 120% 140% 160% 180% 200% 220% 240% 260% 280% 300% 320%
Evaluation of the fitness and suitability of sources of financial information
Aspects of relevance in financial training

- How to establish one's own financial targets and formulate a personal current financial plan
- How to do personal management so as not to get over-indebted ("go in red")
- How to plan purchases of durables (car, apartment, dacha) and evaluate one's abilities to implement them
- How does the pension scheme work and what methods are available to secure one's old age income
- Banking services – current accounts, saving deposits and credit cards
- Mortgage loans
- Insurance and related products
- Capital markets, stock and investment funds
- Sources of information on financial services, interpretation of the information and ways to differentiate advertising from objective information
- What parameters are used to compare the services offered by banks and other financial companies
- What consumer protection laws are available and what one needs to do when one's consumer rights are violated
- What information should a user pay attention to when signing a contract with a bank or another financial institution
- Planning for starting one's own business
- Understanding public finances, e.g. basic macroeconomic national and international facts and economic policies
Aspects of relevance in financial training
Specific financial literacy aspects
Likelihood to use platform for updates on personal financial needs

- All respondents (494)
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- English (248)
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Government executives and political-party members/local authorities (3)
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- Not at all likely
- Not very likely
- Neither likely nor unlikely
- Quite likely
- Very likely
Some preliminary conclusions (1)

- Underperformance in 4 user types: Migrants, overindebted, government executives, collective investors/borrowers/3rd sector
- A highly-educated sample (60% above MSc level)
- Positive element: Elderly figures
- There is clearly a market for an online platform catering to the cause, there are good fraction of people who look for information in online outlets and even bigger fraction of people who don’t know where to look for such information
- There is an ability to match user types with type of material of interest, but in general there
Data Collection:

- The sample consists of 19 interviews of bank employees, working at six alternative banks.
- The interviews lasted from 45 minutes to one hour (online interviews).
- The interviewees were audio-recorded, while the researcher was taking notes.
- Methodology: a semi-structured questionnaire was preferred instead of a structured one:
  - 1) so as not to constrain the answers of the interviewees – especially at the stage of proposing ideas about the future of an educational toolkit, and
  - 2) because they are well educated actors who prefer to ‘have a word’ rather than to tick boxes, or to feel that the question guides their answers.

Stage 3: Qualitative analysis
Methodology:

- Inductive methodologies (like ‘grounded theory’) are not appropriate since:
  1) the principal investigator is an expert on the area of financial literacy, and the process of analysis resides on previous findings of the existing literature, rather than building a theoretical construct *ex nihilo*, that is, by letting the ‘facts’ talk by themselves, an aspect which complements the more general idea that…
  2) theory construction and empirical findings are in a continuous dialectic relationship – and what we need is the reflexive ‘coming-back-and-forth’, rather than an ‘one-step-up’ induction

- What is needed is an creative interplay between previous knowledge and new findings, by setting clear/refutable expectations and then comparing them with findings
Data Analysis:

- Grouping and taxonomy: interviewees have been categorised into three levels of management: Low management (LM), middle management (MM) and high management (HM); the key concepts (focal points), taken from the literature of financial literacy are: Interest, inflation and risk; new concepts emerged from the interviews, which
  1) are (or can be) theoretically related to the focal points of the research – and these theoretical relations
  2) can be utilized in highlighting similarities and differences among the perceptions at the different levels of management

- Coding for banks: A, B, C, D, E, F; coding for participants: 1 (HM), 2 (MM), 3 (LM)

- Comparison and conclusions: After cross-level and intra-level conceptual comparison and clarification, we can present the main findings of research, analysed in relation to each question of the semi-structured questionnaire
Can you tell us a few words about your institution?

- 6 institutions
- Heterogeneity in terms of size, age, status
- Actively engaged in the responsible banking and finance agenda, e.g. social economy, microfinance, start-up support, regional development, environmental-friendly activities, etc.
How involved is your bank in the responsible banking and finance agenda?

- A) Investment in social economy and regional development, B) supporting of cooperatives, sustainable energy and agricultural companies, NGO’s and start-ups and C) emphasis on microfinance are issues that are shared by participants at all levels of management.

- Participants at MM level present a diversification of replies.

- At LM one can identify an interest in social network and client protection policy, which can be explained in terms of every-day interaction of LM employees with clients.
What are the important aspects of customer financial awareness for a bank?

- Here, HM and MM highlighted the need for educational events and seminars in order to increase responsible citizenship and knowledgeability of financial products.
- LM referred to the concepts of the previous questions (i.e. emphasis to real economy).
- This difference in describing the aspects of financial awareness for a bank can show that financial literacy as an idea and a cognitive field is in its initial stage of development and, therefore, its conception needs to be promoted even within the employees of banks.
How can such financial capability be measured?

- MM and LM almost unanimously answered that there is no reliable and/or formal ranking and process of measurement of financial literacy. Individual assessment, frequently based on the social network, is the only source of judgement.

- At the HM level, respondents seem to have an abstract idea about the possible/future ways of assessing the level of financial literacy and the likely uses and implications.

- Heterogeneity across the financial institutions in the sample in the usage of credit scores; some close to relationship banking model and some using a hybrid of both relationship banking and transactions lending.
Has such knowledge been incorporated in the information set in the past and how can it be utilised in the future?

- It is at this point that we have an interesting finding: while HM and MM seem to support the enhancement of the existing ways of assessment in the future, at the LM level there is a tendency to propose the need of an official questionnaire.

- This seem to support the conclusion that even within banks there is a lack of adequacy to assess and utilize the level of financial literacy of their clients – we are at an early stage of a new institutional practice of assessment and utilization.
All participants agree that ‘the more well-informed clients are, the more positive effects we can have’. One can see in some answers a distinction between direct and indirect positive effects.

- **Direct positive impact**: improvement of wealth management, life planning, enhanced levels of loan repayment, better information to banks.
- **Indirect positive impact**: loyalty, reducing poverty, social awareness and stability, and more adequate assessment of the intangible value of financial products.

**How does customer financial capability/literacy relate to bank performance?**
What type of material would be interesting to exist in such a platform?

- Focal points: prices of bonds, interest rates, types of credit, inflation, risk assessment
- Expected features: personal training, information about price, interest rates and possibilities of investment, basic knowledge, promoting digital banking, information about the law and consumer rights, providing certificate of competence and rewards.
- Interesting: a certificate of competence could be provided by the platform and thereafter used by client towards the financial institution
- MM and LM give emphasis to protective functions of the platform, while HM to information about possibilities of investment and of prices.
Many financial institutions have been actively engaged in the financial literacy agenda, aiming at maximizing social impact (e.g. TEB Bank in Turkey) and the attached slides. What efforts do you see could be conducive to maximizing social impact as part of the PROFIT project? How could FEBEA institutions be involved in such efforts?

Among the different proposals of the respondents, we have distinguished a few characteristic or frequently invoked ones in the interviews: a) we need presentations to professionals and companies as well as to different social groups, b) more interaction with school, local community, churches and TV channels is needed, c) a visitor centre would help, particularly for the very challenging group of the elderly
The responsible banking and finance model is still in progress, both theoretically and conceptually (also in practice)

- Its 2 pillars involve social performance targets and client protection
- For ethical and alternative banks, this is a long-existing active agenda

Our project and results cater particularly to the pillar of client protection

- The modus operandi of the institutions in our inquiry is based on the maximization of a social utility function, i.e. social performance targets and impact on the real economy matter the most
- Our results highlight that, within this model, client financial capability can act as an efficiency-enhancing mechanism, both directly and indirectly (profitability, opportunity-cost reduction, marketing etc.)
Our results also entail some insights regarding human resource management, and social involvement for impact.

- LM appear to exert different views regarding the importance, channels and means of financial literacy.
- Indicative of a potential aspect/need of training – familiarity of LM on financial literacy training and the platform once available.
- Regarding impact, an aspect that became apparent from all levels of management is the need of a mediator, e.g. an employee or a social space, for the recommendation and familiarity with the impact.
  
  - *This dimension could help cater to population segments with particular facets, e.g. the elderly, the excluded, migrants etc.*
  
  - *It is worth noting that with the exception of sophisticated elderly, these are groups that have not shown up in our online interviews.*
Next Steps

- Further analysis of questionnaire responses for the identification of potential channels for personalized recommendations by user group
- Textual analysis of interview transcriptions for the extraction of systematic patterns
Questions?