Banking Habits of Women in Hungary at the Time of Economic Difficulties – Pilot Study

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Abstract: The aim of the research is to access the banking habits of Hungarian Women. The research was conducted at the time full of economic difficulties. Firstly, the Covid-19 changed the economic behavior of individuals. After that, due to the Russo-Ukrainian war and its consequences the individuals have become even more cautious in the field of finances. Questionnaire research was conducted (*n* = 437). According to the results, the majority of the respondents opened their first bank account more the five years ago, and were influenced by the workplace and family members. Most of the Hungarian women spend more than 160,000 HUF with card in a month. The number of women having investments at their bank is quite low. Half of them started using these investment services more than 5 years ago, and the size of the investment differs from case to case. Our hypothesis ("The number of ATMs is one of the most significant factor when choosing a bank") was rejected. The results of this study should be served as a great base for future research.

Keywords: banking habits; commercial banks; banking services; women; Hungary; Russo-Ukrainian war

JEL Classification: G21; G20

1. Introduction

In recent years, large-scale economic changes have occurred throughout the world. Part of this is due to the Covid-19 pandemic, which was an unprecedented phenomenon for most of the world's population. Quarantine obligations, closures, home office and factory shutdowns have taken a significant toll on the nations' economies. Just when it seemed that there was a straight path ahead of us – the way out of the pandemic – another threat appeared on the border: the war. The significance of this was also incomprehensible to the majority of the European population, since the last wars took place decades ago, while the World Wars only remained in the stories of our ancestors and in historical records. The effects of these two phenomena (pandemic and war) had a significance that we had not even expected before – extreme inflation, energy shortages and social tensions. In the course of our research, we wanted to examine the banking habits of individuals, which received great emphasis in light of the above-mentioned events. For this, we would first like to present the banking system itself (Csiszárik-Kocsir, 2021; Jackson et al., 2021).

A two-tier banking system operates in Hungary, so commercial banks also operate in addition to the central National Bank of Hungary (NBH, in Hungarian "Magyar Nemzeti

Bank"). Their functions are separate. In this chapter, we do not describe the two-tier banking system, but we present the tasks and services of commercial banks (Fehér & Varga, 2017).

A commercial bank is an institution of the banking system that is a profit-oriented economic organization and provides financial services. Its most important activities are collecting the deposits and granting loans, i.e. financial intermediation. It transfers temporarily unused money back into the economy, thus acting as an engine of the economy. The bank is also a risk-trading business, which is carried out in the hope of profit. Its profit come from the difference between the interest income received from the loans and interest paid on deposits and operating costs. A typical banking activity is also the processing of payment transactions, as well as the execution of currency and foreign exchange transactions. The scope of activities of the commercial banks also includes consulting, trading precious metals, facilitating foreign trade transactions, leasing, factoring, asset management, management of investment funds and stock exchange activities. Banks provide both retail and wholesale banking services. The former generally includes private, micro and small business services, while the latter includes banking activities and interbank operations for medium and large companies, municipalities, various state and civil organizations. The operation of a commercial bank is subject to a license and is subject to a number of strict legal and regulatory requirements (Fehér & Varga, 2017; Solti, 2019; Tan & Trang, 2019; Okewale et al., 2020; Li et al., 2022).

The range of other banking services offered by commercial banks is increasing, but their common feature is that they do not cause any claims or debts for the bank. Banks offer these activities for a fixed fee (Tan & Trang, 2019; Berber et al., 2020).

In order to be able to meet the wide-ranging legislative and supervisory requirements and the needs of customers and shareholders, a well-organized banking operation is necessary. The organizational structure of European commercial banks is regulated by strict legal regulations, including regulations on the delimitation of tasks and responsibilities (exclusion of conflicts of interest). In addition, the organizational structure must comply with the financial institution's goals, business model, risk profile, size, geographical scope and complexity of activities, operated sales channels and, in the case of subsidiaries, the size and structure of the banking group. In Europe, commercial banks can only be established and operated in the form of a joint-stock company, with registered shares, so that the bank's owners can always be identified (Berber et al., 2019; Iwanicz-Drozdowska & Witkowski, 2022; Li et al., 2022).

The highest body of a commercial bank is the general assembly consisting of shareholders, which exercises ownership rights, and the board of directors. The aforementioned bodies determine the bank's strategic direction, approve the bank's balance sheet and annual report, and other annual and longer-term plans. In order to comply with the prudential requirements, the supervisory authority may – in justified cases – require the owners to take certain measures, which may be a capital increase. The board of directors convenes the general meeting once a year. The board of directors is the executive body elected by the general meeting, which manages the bank and exercises the employer's rights. Its members must comply with strict rules, in most EU countries the legal requirement is, for

example, a good reputation, the existence of appropriate professional knowledge, skills and experience and the absence of conflicts of interest. The task of management is to manage the organization and the continuous operation of the company. The bank's executive bodies include the standing committees, which are the bank's decision-making and deliberative bodies (Kavitha & Gopinath, 2020; Iwanicz-Drozdowska & Witkowski, 2022).

The supervisory board is the body with the highest supervisory and control powers. Its most important tasks are to ensure regular operation, to regularly review the activities of the board of directors, the legal operation and results of the bank, and the implementation of the strategy. It also monitors the operation of internal defense lines and supervises internal control activities. This committee is also elected by the general meeting, and in some banks, it even has decision-making authority. The two most important permanent banking committees are the credit and the asset-liability committees. The task of the credit committee is to decide on the bank's individual commitments, while the task of the asset-liability committee is to manage the bank's liquidity position, balance sheet, and off-balance sheet items. Its main task is to manage the bank's interest and maturity risks, to make a decision about the bank's interest rate and placement structure (Solti, 2019; Li et al., 2022).

When developing the organization of commercial banks, it must be kept in mind that the existence and independence of some specialized areas are required by law, just as the back-end operational areas performing the administration of the business areas and risk management must be independent from the business areas. Accordingly, the front office that deals directly with customers, the back office that performs background activities, the risk management that measures and manages the bank's risks, and the central areas are separated from each other within the bank. At larger banks, the retail and corporate business is separated. The strategic, controlling, financial and asset-resource management specialist areas, the staff and the departments supporting the banking operation are also separated (Kavitha & Gopinath, 2020; Li et al., 2022).

The main departments of an average European commercial bank are the following:

- retail,
- corporate,
- investment banking,
- card,
- treasury,
- depositary.

This range of activities includes both active operations affecting the asset side of the bank's balance sheet and passive operations affecting the credit side, as well as functions supporting account management and business activities (Solti, 2019; Iwanicz-Drozdowska & Witkowski, 2022).

Bank strategists are responsible for developing the institution's vision and mission. The strategic plan – that follows from the vision and mission – formulates goals for a time period of 3-10 years and includes the long-term concepts of the owners and the management regarding the operation and effectiveness of the bank. The bank's strategic department

develops and maintains this plan, which is backed by serious and professional analytical work. In the light of the analyses, the bank can set achievable goals for itself. The business model of banks is significantly different from that of production companies. First of all, strong regulation, special requirements (such as capital requirements and close supervision) require serious investment and capacity, and this significantly limits financial institutions' leeway. On the other hand, long-term customer relationships are typical on the banking market, which helps customer acquisition. The specialist area designates specific business and product-specific goals from the bank's approved strategy, which are quantified by the controlling specialist area in the context of annual and medium-term planning. These days the biggest challenges for banking strategies are digitization, the rise of fintech companies and the exploitation of the potential of data analysis. Health (Covid-19) and social, political (Russo-Ukranian war) issues are also creating difficulties for the banking sector (Csiszárik-Kocsir, 2019; Solti, 2019; Dunbar, 2022; Foglia et al., 2022; Lo et al., 2022).

The essence of the bank's operation is the assumption of risks from customers, and its income basically derives from this. For this reason, accurate knowledge, measurement and competent, professional management of risks is not only fundamental, but also critically important for a financial institution. The bank manages its risks according to the principles defined in its "risk management strategy" and other risk management policies. One of the most common types of banking risks is credit risk, which means the uncertainty of repayment of disbursed credits. Banks try to reduce credit risk in various ways, for example by using credit assessment and credit (debtor) rating systems. Requiring credit collateral and risk pricing also serve to reduce the risk. The higher the risk of the loan, the higher the loan interest charged by the bank to cover possible losses. When managing credit risks, banks try to create lending and credit tracking processes that can be used to reduce not only the risk of non-payment, but also the expected loss in the case of non-payment (Sahiti et al, 2022; Li et al., 2022).

Even with the most careful credit risk management and thorough credit monitoring activities, it happens in all banks that some customers do not or partially do not pay back their loan debts, so banks try to enforce their claims that can no longer be handled in the normal course of business in special areas. Receivables management (or claims management) is all activity that banks perform to recover their overdue claims against their customers. During the process of receivables management, bank specialists try to cooperate with clients in order to maximize the amounts received from receivables and minimize losses. Banks have a so called "work out committee" that makes decisions about the enforcement methods of claims with a compromised return, possible sales of claims and write-offs. Their important task is to keep the size of the bank's non-performing loans below the level required by law. Within this framework, certain stocks may be sold and bad debts written off. When selling overdue receivables, the bank calls out a tender for companies specializing in debt collection, and the deal is concluded with the one that makes the most favorable offer for the purchase of the receivables. After the sale, the holder of the claims will be the company that bought it (Solti, 2019; Sahiti et al, 2022).

2. Methodology

The aim of the research is to assess the banking habits of Hungarian women having bank accounts. All of this was assessed in the difficult economic situation weighed down by the after-effects of Covid-19 and the current events of war in Eastern Europe. The questionnaire research – which belongs to the group of quantitative methods – proved to be the most suitable for the preparation of the research. The questionnaire contained closed and Likert scale questions.

A snowball method was used during data collection. The questionnaire was completed online (Survio) between 1st of September and 30th of November in 2022. With the help of this method, a total of 458 responses were received. However, responses from men and individuals under 18 were excluded from these. In addition, the database had to be cleaned of outliers. In light of the facts mentioned above, the analysis was finally based on 437 valid answers. The number of items (n = 437) fully corresponds to the minimum number of items (n = 385) defined by Cochran (1977).

Since the data collected by nominal and ordinal scales can usually be treated as non-metric, the data analysis was based on this principle (Frankfort-Nachmias & Leon-Guerro, 2011; Nunan et al., 2020). Due to this the available statistical methods were extremely limited. For this reason, only the frequencies were indicated in each case.

Below are the demographic characteristics of the sampled individuals.

Table 1. Demographics of the respondents

	Category	%
Age	18-25	21.2
	26-35	33:5
	36-45	23.1
	46-55	16.4
	55 and above	5.8
Residence	Village	30.6
	Town or City	57.8
	Capital	11.6
Education	Elementary	1.5
	Secondary Vocational Education	13.9
	High School	38.9
	University	45.7

As mentioned above, only female responses from Hungary were taken into account. In addition, for ethical reasons, the opinions of those under the age of 18 were not included in the analysis. Another criterion was that the individuals had a bank account at a commercial bank.

Based on Mokhlis et al. (2009) and Srouji (2018) we formulated one hypothesis:

- H1: The number of ATMs is one of the most significant factors when choosing a bank.

3. Results

Below the responses received from users are evaluated. The first question on banking habits dealt with how long the respondents had been keeping their current account at their chosen bank. Most of the respondents opened their first bank account more than 5 years ago.
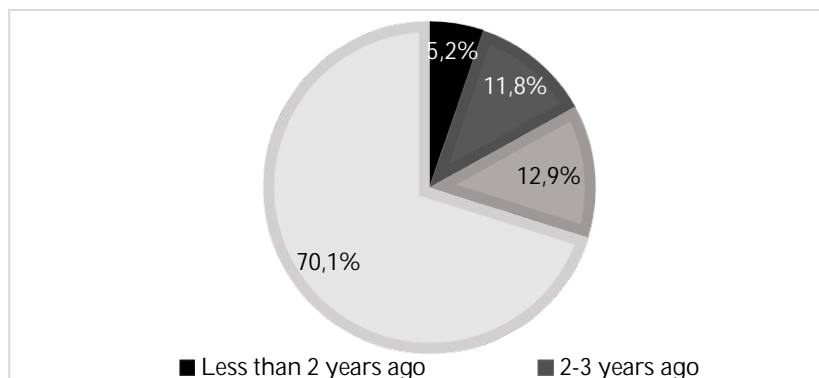
Figure 1. The date of account opening

The result is not surprising, because as we highlighted earlier, all of our applicants are over 18 years old, so most of them are already employed members of the labor market. The income from employment and the payment of individual bills almost require the existence of a banking account.

In order to map banking habits, it is essential to know the criteria on which the respondents chose their account-managing bank. To access this, we listed various items to our respondents, who could tick several answers. Most of the respondents opened their current account in a particular bank because of their workplace. This may also mean that the individual's workplace is the same as the company's bank. This may also mean that the bank of the individual working for the organization is the same as the organization's bank, or that the person works for a company that has an agreement with the bank regarding favorable account management.
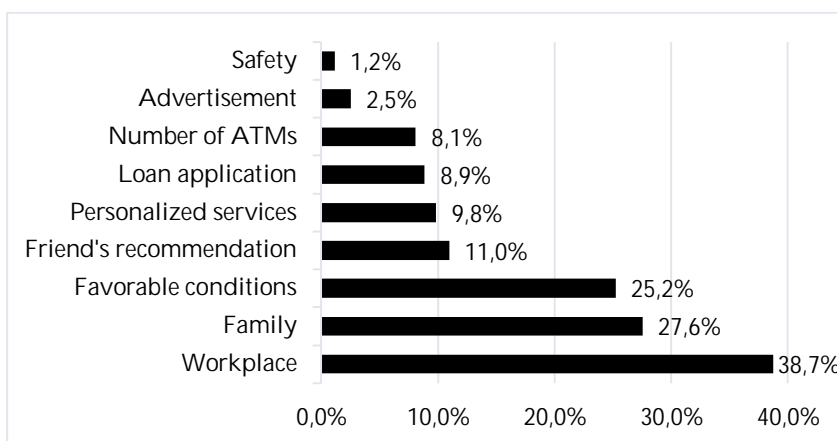

Figure 2. Reasons behind choosing the given bank

A high proportion of respondents indicated that they chose the bank due to the influence of their family members. These habits are mainly due to the fact that the older members of their family already had accounts at the given bank before they reached the point where they also needed a bank account. It is interesting to point out that nearly 9 percent of the respondents chose a bank because they wanted to apply for a loan. The reason for this is that, commercial banks tie the disbursement of the loan to the existence of a current account at the given bank. Those intending to take out a loan want to choose the most favorable loan

possible. In light of this, they are able to transfer their account to a competing institution or open a second account with them. Safety – as an influencing factor – is ranked last. In our opinion, the reason for this is that nowadays users trust each bank equally, or they do not doubt their security systems. According to the Figure 2. our hypothesis can be rejected.

We were also curious about how many Hungarian forints (HUF) the surveyed women spend monthly by using their bank cards. So, we only asked them about bank card payments. It can be seen that most of them (21.4%) spend more than 160,000 HUF (approx. 405 EUR) per month using their card.
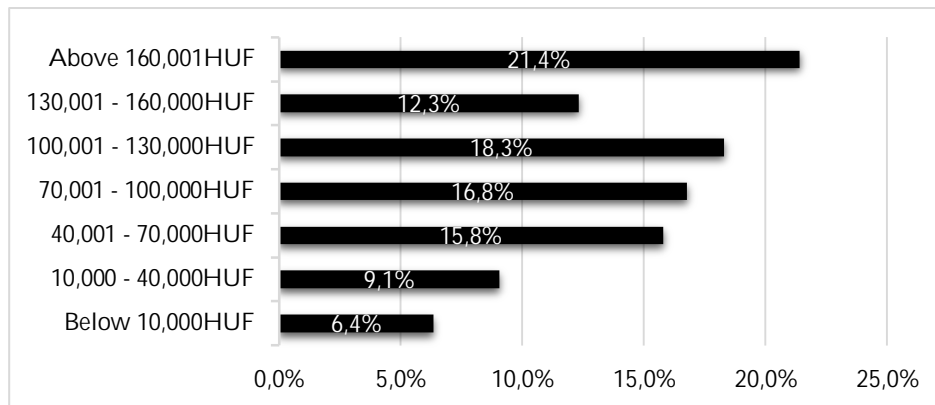

Figure 3. Purchases made with card (in HUF)

We then asked our respondents about the frequency of use of the listed services. Based on the results, they most often (45.9%) use various "electronic services". This is followed by "transfers" (29.1%). The proportion of those who indicated the "buying time deposits" option as the least frequently used service was high. In the case of this option, we need to point out that this type of investment is usually tied to a longer period of time, so it is not surprising that these services are used relatively less often. On the other hand, the fact that 51.8% have never used these services of the banks can be a bit worrying. These investments can be suitable opportunities for clients to get a smaller profit or at least recover the loss caused by inflation. "Check payments" are used even less often (57.8% never). In our opinion, this is not surprising, as the "Hungarian Post" (in Hungarian: "Magyar Posta") also provides similar services.
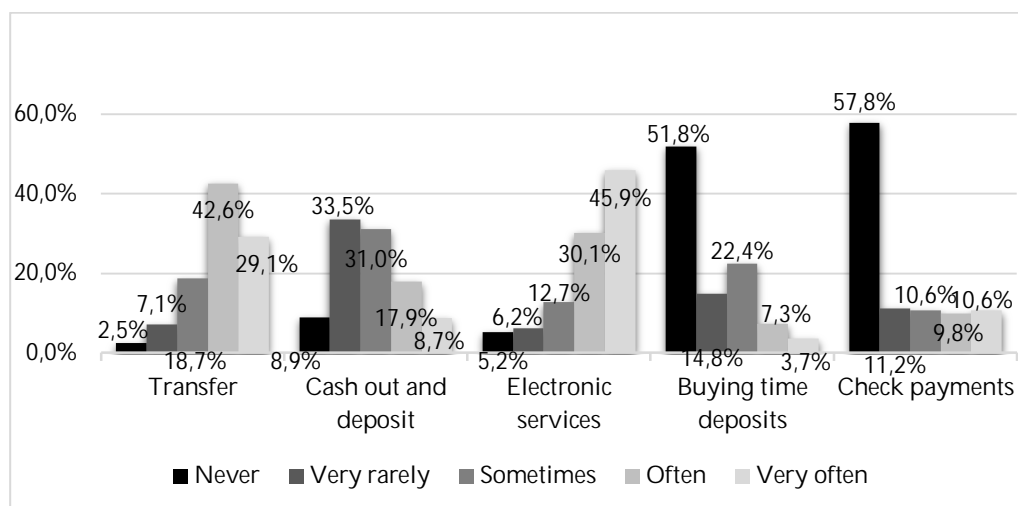

Figure 4. Frequency of using the bank's services

66.3% of the respondents prefer online administration and strive to manage their bank-related matters in this way as well. In contrast, only 33.7% of the respondents like to handle their banking affairs personally. In our opinion, this ratio is due to the "rushing lifestyle". On the other hand, the habits developed by Covid-19 also changed the attitude of individuals. 42.2% are completely satisfied (5), while 41.4% are mostly (4) satisfied with the bank's online administration service.

In light of this, it is not surprising that 97.3% of the respondents use the internet banking services of their bank accounts. Of these, they are most often used to track transactions and send HUF-based outgoing transfers. The proportion of those who use these services daily (28.9%) and weekly (51.5%) is exceptionally high. 96.9% of all respondents consider internet banking to be completely safe. This therefore coincides with the proportion of users.

We then asked our respondents what kind of investments they had at their banks. It turned out that only 37.0% of the interviewed women have some kind of bank investments. Then we were only interested in their (n = 162) opinion. We wanted to find out what types of investments they have. Based on the answers, most of the respondents have "Premium bond" type investments (60.4%). The proportion of respondents who have "State bonds" can be said to be relatively high (33.9%). It is important to mention that 1-1 respondents could mark several answers, so overlaps can be discovered between individual answers. In all cases, 100% means the number of those with bank investments (n = 162).
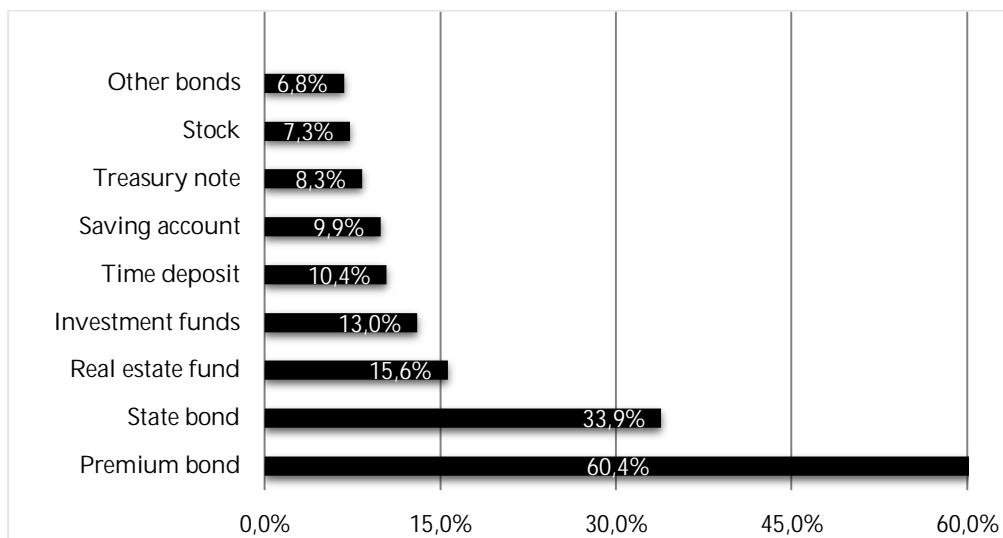

Figure 5. Type of investments

We also found out that 45.9% of the respondents have had this type of investment for more than 5 years. Another 30.2% decided to use some of the bank's investment services more than two but less than five years ago. 23.9% of those with investments have been using these opportunities for less than 2 years.

Then we also asked the respondents about the size of the investment. In this case, the 2 extreme values took first place. The value of the investment in the most cases (23.2%) is less than 100,000 HUF (approx. 250 EUR). This is an extremely small amount. At the same time, 21.8% of investors have investments of more than 3 million HUF (approx. 7,600 EUR). The further distribution is shown in Figure 6 below.
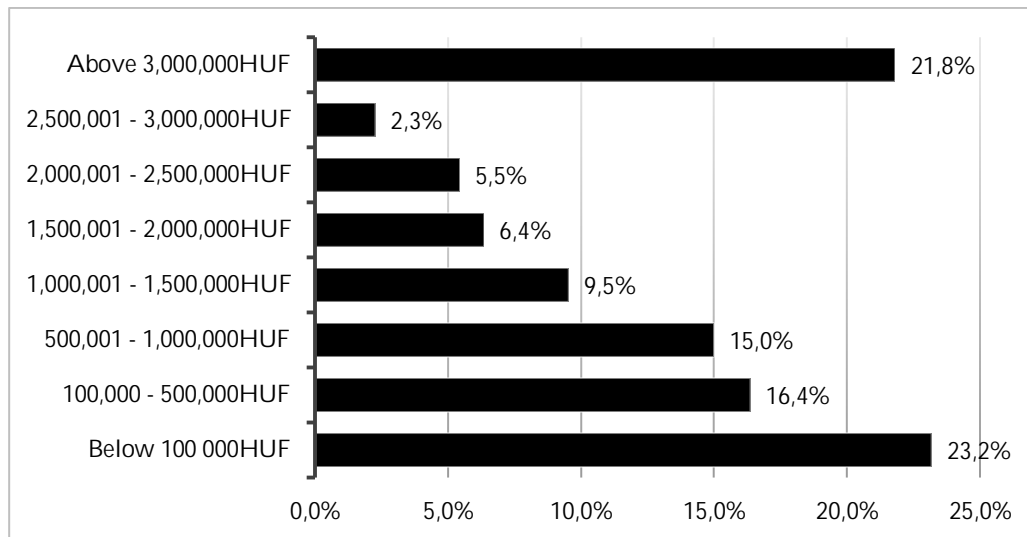
Figure 6. Size of the investments

4. Discussion and Conclusions

The aim of our research was to access the banking habits of women in Hungary at the time of economic difficulties. The results are based on 437 valid answers from women, all 18 years old or older.

According to the results, the majority of the respondents opened their first bank account more the five years ago. Choosing the right bank is mainly influenced by the workplace, family and other favorable conditions. The authors did not find previous articles dealing with the banking habits of women in Hungary. However, there are some previous studies dealing with the factors influencing bank selection. Paper by Mokhlis et al. (2009) found, that the main influencing factors are attractiveness, branch location, ATM service, financial benefits and secure feeling when choosing the most appropriate bank. On the other hand, Sayani and Miniaoui (2013) found that bank reputation and expectation of profit on deposits are not significant factors, while religious preferences are the most important determinants. It is important to mention that they were studying the selection between Islamic and conventional banks. Srouji (2018, p. 82) et al. also studied the determinants of bank selection in relation to Islamic and conventional banks. They found that: "*While bank convenience, and bank reputation and images was positively significant for both type of banks, but quality of services, location of branches, availability of ATMs', efficiency in carrying-out transactions, facilities provided by banks and the reputation and bank image were significant to conventional bank clients selection only.*"

Using credit cards while purchasing goods online or offline is popular among Hungarian women too. The most of them spend more than 160,000 HUF in a month, which is about 405 EUR. Using different "electronic services" and "transfers" are the most popular among all services. Two thirds of the respondents prefer online administration and they are satisfied with the process of that. They also consider online banking safety, which is shown in the high frequency (most of the respondents weekly or even daily) of the usage.

The number of women having investments with the help of their banks is quite low. Most of them investing in "premium" or "state" bonds. Nearly half of these investors started using

these services more than 5 years ago. Most of them invested below 100,000 HUF (250 EUR) or above 3,000,000 HUF (7,600 EUR), which is quite conflicting.

The research had some limitations. First of all, the self-administered questionnaire is based on the subjective opinion and sincerity of the respondents. Misunderstandings should also emerge, and the respondents do not have anybody near to ask for making the question clear for them. In addition, frequency is the only statistic method used, since the nature of the questions (nominal and ordinal scales) and the data gathered by these (non metric) made possible only this method.

The results of this study should be served as a great base for future research. A deeper statistical examination is among our primary plans. In the future we would like to repeat the research, since the economic difficulties caused by the Russo-Ukrainian war and sanctions related to the conflict made the situation more worrying for the population. Also, a research comparing men and women is among our primary goals for the future.

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