

## ASSESSMENT OF CUSTOMERS' KNOWLEDGE ON THEIR BANKING ACCOUNTS INFORMATION IN TANZANIA

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### ABSTRACT:

Knowledge of financial information is crucial the world over. The importance becomes critical on the knowledge of personal financial banking accounts information. It is such information that provides the extent of freedom of using or not using funds available in the account at the respective bank. On the contrary, ignorance of the amount of money available at the bank account, may suggest poor spending of the funds available at the bank, hence hampering the improvement of the livelihood of the people. The thesis of the study is to explore knowledge of people on the banking accounts information. The study focused on the knowledge of the same when customers do withdraw. The study utilised cluster sampling of bank customers who were available at ATM ready for withdrawing of the money. Interview was the leading data collection strategy. The objective of the study was to explore the extent of knowledge of banking accounts information of customers doing withdraws at the bank through Automated Teller Machine commonly known as ATM. The study has revealed that most bank customers do not have knowledge of the funds available at their accounts, which suggest poor utilisation of the funds.

**JEL:** M20

**KEY WORDS:** understanding bank accounts information, investing, spending

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### 1. INTRODUCTION

Ability to spend depends much on the funds at disposal. Awareness of the funds available at hand or at the bank suggests the extent to which one should or should not use the funds. Even potentials vested in spending depend much on the amount known to the user. This study entails to find out the extent of knowledge of the individual customer banking information, in particular the amount of money available at the bank on their specified accounts. The second objective was to find out factors purporting to such understanding or lack of that understanding. We anticipate that improvement of livelihood depends much on the knowledge of amount of money available at the bank or at hand. It is well known that saving is actually motivated by knowledge of the balance after subtraction of expenses from income. In addition, it is saving which suggest the level of investment. In other words, both saving and investment depends on the knowledge of amount of money or funds available at disposal. The knowledge is not automated, but it is sought and found. When people are ignorant of the knowledge of their own funds, can suggest three propositions: 1) that they may use funds poorly and hence encounter suffrage, which could have been avoided, has there been knowledge. 2) Abstain from using money for fear of absence or insufficient of the funds, and hence encounter backwardness in livelihood, which could have

been avoided has there been knowledge. 3) Live with fear of shortages or insufficiency, and hence subvert with loan from peers, which could have been avoided has there been knowledge. The rest of the study is organised as follows: literature review, materials and methods, results and discussion of the findings, and conclusion and recommendations.

## **2. LITERATURE REVIEW**

There are few literatures at disposal regarding the importance of knowing personal bank account or accounts. Most literatures amplify the importance of financial information in relations to final accounts, and information that are obtained in that regard. Norman (2012) insists that financial information is inevitable in making informed decisions, particularly in developing countries such as Tanzania. The world over, the use of financial information is a key to investing wisely (Peter et al., 1996; Akintoye, 2008). Backer and Nasser (2003) observed that in Saudi Arabia even people who were considered elites could not use financial information when deciding to invest in stock exchange. The importance of the use of financial information in investment decisions making is inevitable (Grieder, 1987; Esptein and Freedman, 1994; Esptein and Anderson, 1994). Nasser and Nuseibeh (2003) provide a number of studies, which have investigated the usefulness of corporate information to the users and found the annual report to be important and primary source of information. These include (Mautz, 1968; Briggs, 1975; Lee and Tweedie, 1975a,b, 1976, 1981; Epstein, 1975; Chang and Most, 1977; Chenhall and Juchau, 1977; Wilton and Tabb, 1978; Winfield, 1978; Anderson, 1981; Arnold and Moizer, 1984; Moizer and Arnold, 1984; Chang and Most, 1985; Day, 1986; Gniewosz, 1990; Epstein and Pava, 1993; Streuly, 1994; Bence et al., 1995; Anderson and Epstein, 1995; Abu-Nassar and Rutherford, 1996; Bartlett and Chandler, 1997). It can be noted that most literatures focus on the importance of financial information as computed by individuals or at corporate level. Nevertheless, the vitality of financial information is worthy at individual level. Especially, when such individuals deal with financial systems such as banks.

Financial systems such as banks are fundamental in the development of people. Stigtz (1998) discusses the role of the financial system and why it is different from other sectors of the economy. He emphasise that, individual entrepreneurs rarely have enough of their own capital to undertake investments themselves. Individual savers, without pooling their money, would not be able to take advantage of the potential increasing returns to scale of their investments, and would face a large degree of risk with little liquidity. The financial system – including banks and other financial intermediaries, equity markets, and debt markets – solves these problems by agglomerating capital from many smaller savers, allocating capital to the most important uses, and monitoring to ensure that it is being used well. At the same time, the financial system transfers, pools, and reduces risk, increases liquidity, and conveys information.

What we learn is that the understanding of individuals on the importance of knowing what one has at the bank has not been tackled. The performance of financial systems does not exist in vain. The well functioning of financial systems need to be supported with the individual player. The extent to which they know the packages of funds at their disposal, in particular, in their bank accounts would add value on the way should behave with such funds. We appreciate the fact that well-functioning financial systems do a very good job of selecting the most productive recipients for these resources and ensuring that they are using them in high return activities. In contrast, poorly functioning financial systems often allocate capital in low-productivity investments. The differences in terms of growth and total factor productivity can be enormous. The paramount

question remains to be what is the extent of knowledge of financial information of individual bank accounts? Do drawers at the bank accounts know the balance at their accounts? What are the facts leading to such knowledge or absence of such knowledge?

### 3. MATERIALS AND METHODS

The study utilised interviews and observation as the leading data collection strategies. Cluster sampling was the sampling method used. In addition, it involved only customers who were cueing at the bank drawing machines commonly known as Automated Teller Machines (ATMs). The sample was drawn from three universities of Iringa region namely Mkwawa University College, Tumaini University College (currently Iringa University) and Ruaha University College. The sample involved 56 students and 14 lecturers.

Three crucial questions were asked: 1) do you know the amount of money you have in your bank account? 2) When was the last time to seek for bank balance of your account? 3) Can you estimate the amount of money you have in your bank account? Percentiles and charts have been used to analyse and to summarise the findings. The analyses of teachers and students have separately been done. In addition, cross analysis of responses have been employed since the study was one.

### 4. RESULTS

#### a) Findings from students

The results of the findings have been identified. The responses indicate that 83% do not know the amount of money in their respective bank accounts. Only 7.1% do know. It was further noted that only 3.5% of the respondents do know the last time they asked for the bank balance in their respective banks. The two were among those who could remember the bank balance. When asked to estimate the amount of money available in their bank account, the response indicates that 57.1 were able to estimate a close figure, but were not certain of the actual amount. Generally, of the 56 students who were interviewed only four had knowledge on the bank balance at their accounts (see table 1).

**Table 1:** Responses of students on the knowledge of their bank account

S/NO	Question	Have knowledge	Do not have knowledge	% of have knowledge
1.	Do you know the amount of money you have in your account at the bank?	4	52	7.1
2.	When was the last time to seek for bank balance of your account?	2	54	3.5
3.	Can you estimate the amount of money you have in your account at the bank?	32	24	57.14

**Source:** Field data, 2012, the table indicates that majority people are not aware of the amount of funds available in their accounts, which suggest bad behaviour on spending.

#### b) Findings from Lecturers/teachers

The findings from lecturers indicated that only 21.4% had knowledge of their bank account in their respective bank balance in their accounts. The same responses were indicated on knowledge regarding the last time they enquired for the bank balance.

It was further noted that 64.3% could estimate the amount of funds available in their accounts. In addition, the respondents who estimated the amount of money available in their accounts

confessed of not being sure with the exact amount. Generally, only three teachers out of 14 had knowledge of the bank balance available in their accounts (see table 2).

**Table 2:** Responses of lecturers/teachers on the knowledge of their bank accounts

S/NO	Question	Have knowledge	Do not have knowledge	% of have knowledge
1.	Do you know the amount of money you have in your account at the bank?	3	11	21.4
2.	When was the last time to seek for bank balance of your account?	3	11	21.4
3.	Can you estimate the amount of money you have in your account at the bank?	9	5	64.3

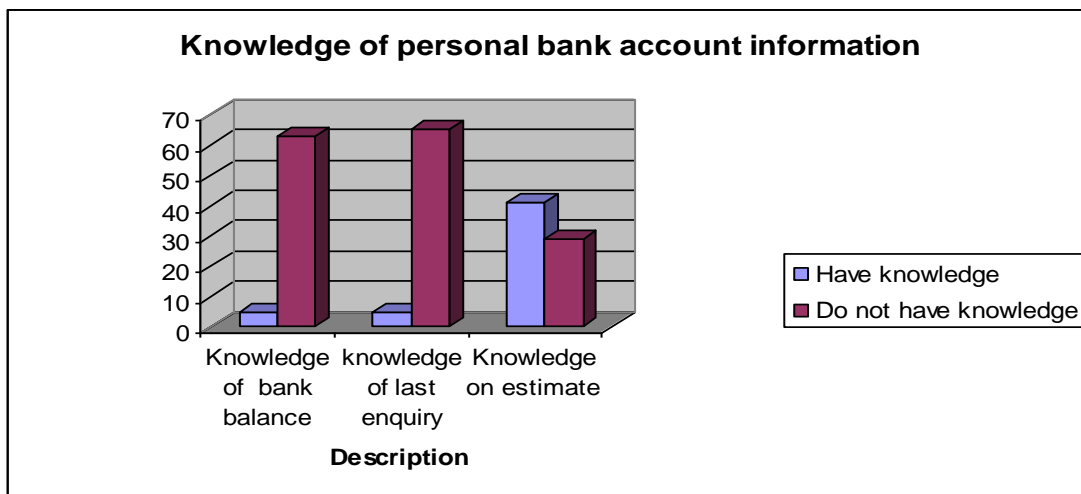
**Source:** Field data, 2012. The findings indicate that only 21.4% of lecturers do know the amount of money available at their bank accounts. In addition, the same 21.4% had sought to know the bank balance. Generally it reveals that there is low level of knowledge of banking accounts among the educated group.

#### c) Cross analysis of the responses

The responses of the two categories, students and lectures provide a more-less similar situation. The total number of responses of the two categories for the first question, which sought to know if they were knowledgeable of the amount of money available in their bank account, is six, out of 80 respondents, which is 7.5%. This provides an understanding that teachers and students do literally not differ in terms of responding to the financial knowledge in particular understanding the amount of funds available in their bank accounts.

On question two, which sought to know when they enquired for the bank balance of their accounts, the total responses of teachers and students was 80. However, only five out 80 indicated to have sought information on their accounts, which is 6.25%. The findings again indicate that the combined response of 80 respondents, only 43, which is 53.75%, could estimate the amount of funds available at their bank accounts (see figure 1).

Figure 1:



**Source:** Field data (2012). The combined summaries of responses of students and lecturers/teachers indicate that most respondents do not have knowledge on their bank balance,

and do not know when did they make last enquiry of their balances, but could estimate the amount of funds available in their accounts.

We are in position to think loud that if the tendency observed could reflect the majority of our people, then there is every possibility that spending would be ineffective. Norman (2010) observed that most people in Africa and specifically Tanzania could not know the amount of money used for telephone, mobile phones, fuel in their respective vehicle, and food. The observation was made for a month. This study thus confirms on reluctance of our people to know their income.

Sensitivity to spending could be said provides augur on the extent to spend. Some questions need answers. 1) If persons holding bank account do not know the tentative amount of money available in their accounts, how do they plan spending? Obvious they do spend, if so, what benchmark is being set as a limit for spending? How do they allocate funds when there is no knowledge on the amount of money they have?

Teachers/lecturers are the elite among our societies. Students are also the key in our societies. We depend on them to foster our national and private sector development. If the trend observed, what is the stake of the nation for future development? Norman (2011) on the study regarding responsiveness of people on safeguarding public funds, he insists that if one cannot take care of private property such as personal funds, would likely be more careless on the public funds.

At its most fundamental level, banking and financial information is information required to support financial decisions or to meet financial requirements. Accounting is the underlying activity within an organisation or at individual level that provides much of the current financial information as disclosed in the bank or final books.

While accounting can be defined as the recording of financial transactions over a period and the communication of the resulting information to interested parties, bank balance accounting can mean recording of bank balance of individual or organisation for enabling prudent financial decisions. Hence, bank balance accounting of individuals or organisation is necessary for the healthy decision of the various investment, saving and spending.

## **5. CONCLUSION**

We are in position to conclude that most people do not know their bank balance accounts, which provides many questions than answers. The level of technology requires people to know their bank balance even through mobile phones. In Tanzania for example, both banks, which own the ATMs that were observed, have facility of understanding bank balance through mobile phones. Nevertheless, with the presence of high technology, yet there seem to be incongruence of utilising the same for enhancing personal development. Development of nations must be considered holistically. Wise spending is one the key areas that should be given attention. What to eat, buy, save, or invest depends on how knowledgeable a person is on the amount of money he or she has. The study consisted a sample of 80 respondents. It is recommended that a larger sample be employed to understand more on the behaviour of people in utilising funds. It could mean including other cadres of business people rather than students and lecturers/teachers.

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