

Key Aspects of Consumer Decision Making in Selecting Financial Services on the Market of Bosnia and Herzegovina

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Abstract

The paper analyzes the key aspects of consumers' decision making while selecting financial services with the focus on respecting the duties of financial institutions to provide their consumers with the timely and comprehensive information on the content and effects of financial services by means of a standard information form. The aim of the research presented in the paper are: a) to identify the criteria guiding the consumers when selecting financial services, b) to ascertain the availability of the standard information form that financial institutions need to provide for their consumers of financial services, c) to establish the structure of the respondents in terms of their understanding of the content of the agreement on the usage of financial services, d) to define the correlation between the availability of the standard information form and the participants' satisfaction with their decisions on using financial services. The research results indicate that the data on the amount of effective and nominal interest rate and the amount of monthly instalment are the key criteria that guide the participants when they decide to use financial services. In addition, the results show that financial institutions do not fulfill the duty to correctly and appropriately inform prospective consumers prior to signing the agreement and point to the low level of consumer financial literacy when it comes to understanding the content of the agreement on using financial services. The results of discriminant analysis confirm how important the need is for financial institutions to provide their consumers with comprehensive information in the process of negotiating and signing the agreement on using financial services. As the result of discriminatory analysis for the year 2020, 48.02% of the variations (changes) in consumer satisfaction by their decisions on selecting financial services is explained by the availability of standard information that financial institutions should provide in the process of negotiating and signing the agreement on using financial services.

Key words: financial services, consumer decision making, requirement to inform, standard information form, consumer satisfaction

1. Introduction

Financial services in general and especially retail banking (for end users) are a crucial but also highly sensitive segment of economy. Financial services such as bank account, credit cards, consumer and mortgage loans, etc., are a part of life for many individuals, which raises a question of the position of the users of financial services, who have the status of consumers in relation to financial services. The key reason lies in the fact that consumers act from the position of satisfying their private needs and sign the agreements on financial services outside the scope of their business or professional activity. This makes them a weaker side of the contractual relationship (Hondius, E., 2004:245-250), bearing in mind their economic position, negotiating position, expert knowledge, and available information. Due to insufficient financial literacy in deciding on the selection of a financial product, an average consumer of financial services mainly relies on and reposes trust in financial institution. As the sector of financial services rests on consumer trust, it is important that financial institutions respect the legal framework and mechanisms of consumer protection among which is the duty of pre-contract information. On the other hand, consumers are expected to be proactive on the market in terms of collecting pre-contract information, analyzing, and comparing different offers so as to reach a quality decision on the usage of a given financial service.

Consumers however are often not cautious, rational and careful enough when they decide to use financial services. They are not aware and do not consider the risks associated with financial services. Consumers naturally give more attention to long-term commitments related to mortgage loans but are less rational when it comes to spontaneous usage of credit cards while shopping. Hence, various objective circumstances, motives, and needs for financial service define consumer behavior on the financial services market.

Certainly, we cannot ignore the fact that consumers, when signing standard agreements prepared in advance by providers of financial services, largely act with trust in their conscientious, honest and loyal conduct. Consumers

start from the premise that when they formulate standard agreement provisions, financial institutions take into account the protection of consumers' interests and legitimate expectations related to the scope and content of agreements. When they negotiate and sign agreements with financial institutions, it is important that, apart from other things, users of financial services focus on the obligations they take and the risks accompanying financial transactions so as to recognize the provisions that are not favorable for them and weaken their contractual position by an unequal distribution of transaction risk.

In order to ensure consumer protection which would practically enable a consumer to sign the agreement on financial service with trust, knowing that financial institutions act in a professional and responsible manners, it is important to set up a regulatory framework. Failures and weaknesses in protecting consumers of financial services happen in developed countries as well but they are particularly evident in developing countries such as Bosnia and Herzegovina (BiH). Aimed at improving the current conditions as well as the position of financial service consumers, a legal framework was established following the standards of the European Consumer Credit Directive (CCD)¹. In Republic of Srpska, the status of consumer of financial services consumers modeled after the CCD is regulated by the amendments to the Law on Banks and Microcredit Organizations², while in BiH Federation (FBiH) the legislator opted for passing the *lex specialis* regulation, the Law on Protection of Financial Services Consumers in FBiH.³ This legal framework is supposed to: a) build consumer confidence in the financial sector, b) empower consumers by providing detailed information thus making them a more equal contractual party in terms of their rights and obligations, c) provide responsible credit financing and responsible borrowing by introducing the requirement to inform and assess creditworthiness, d) ensure an equitable treatment of consumers.

The duty of pre-contract information is recognized as an instrument of protecting and empowering consumers of financial services. This is a unilateral obligation of financial institutions, fulfilled by timely submission of standard information form to consumers so that they can get to know the content, effects and risks of financial service and make responsible financial decisions. The purpose of pre-contract information is to empower consumers by providing them with an instrument that can make them responsible and active market participants rather than passive subjects that need to be protected against themselves (Garcia Porras, C., Boom, W.H. van, 2012:24-25).

2. Theoretical aspects of information paradigm

If we start from a well-known premise that information is power, it is quite expected that information is recognized as an instrument of protection of financial services consumers, which also guarantees private autonomy and freedom of choice according to one's own needs and abilities. Some authors question the fact that information rules should be imperative as such arrangement leads to paternalism, which deprives consumers of their sovereignty (Hartlief, T, 2004:259 et seq.). On the other hand, there are those who believe that imperative rules on information may function to strengthen the autonomy of consumer willingness and promotion rather than to limit the freedom of contracting (Grundman, S., 2002:279-281). In reality, consumer laws tend to vary between the empowerment of consumers and a paternalistic approach (Mak, V., 2012:4).

The process of consumer decision making includes several stages: recognizing the problem, searching for and collecting information, evaluating alternatives, and choosing the product (Solomon, M. et. al. 2015:313). From consumer perspective, in order for consumers to make a decision with minimum risk, it is important how they recognize the problem or need for the product, how they search for information on product diversity, and in what ways they evaluate the alternatives so as to reach the decision (Veljković, S., 2006:73-74). Some decisions on purchase are made almost automatically, while some more important take a lot of time, search for information, analysis of information, and decision making (Solomon, M. et. al. 2015:314), which is the case with financial services. Consumer behavior can be cognitive and affective (Veljković, S., 2006:324), but when it comes to financial services, cognitive behavior should be dominant, along with the need for consumer to undertake all decision making stages. This is because services are usually intangible and there is no space and time distance between the occurrence and consumption of services, which would allow consumers a detailed analysis of individual aspects of their consumption.

The need for consumers' cognitive behavior is particularly emphasized when it comes to financial services as these services are relatively abstract and to a certain extent incomprehensible to average consumer.

Precisely due to their complexity, the most important facts for consumers are those regarding conditions, content and effects of financial services they intend to use. That is why more timely and comprehensive information for

¹Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, OJ 2008, L 133/66

²Law on Banks of Republic of Srpska ("Official Gazette of Republic of Srpska", no. 3/16), Law on Microcredit Organizations ("Official Gazette of Republic of Srpska", no. 116/11)

³Law on Protection of Financial Services Consumers in FBiH ("Official Gazette of FBiH", no. 31/14).

consumers of financial services is used for high quality assessment of available offers and making decisions on the selection of the most favorable financial services.

Consumers need to be aware that the decision on the selection of financial services such as credit, is very important and requires much more information and consideration as the implication of such financial service of long-term character may be negative and lead to unnecessary expenses and ultimately to over-indebtedness. Consumers should not make decisions on complex financial products as a routine based on scarce information and without the real understanding of the risks associated to these products. Besides, such decisions should not be instant and based on advertising, recommendation given by an acquaintance, friend or employer of financial institution, degree of the current need for a given service, etc. However, precisely these factors often affect consumer decision making in the financial services market. This is why the duty of pre-contract information is highly placed in the hierarchy of consumer legislation and legislators impose the obligation for financial institutions to provide consumers with detailed information prior to signing the contract, by means of standard information form. It is necessary for consumer protection that financial institutions comply with this obligation duly and honestly and, if necessary, provide more detailed advice to consumers, so as to assist them in making a high-quality decision, which should be in the interest of the very financial institutions.

While specifying the number and content of the information, the domestic legislator, as well as the European ones, used the criteria of well informed, rational and consequently active consumer who is willing, able and competent to use the provided information, make high-quality decisions and thus protect his rights. The concept of empowered consumer is dominant in EU consumer financial law, which is why legal protection is given only to “average consumer“ who is “reasonably well-informed and reasonably observant and circumspect“.⁴ In reality, this normative image of user of financial services is not viable. Bearing in mind that these complex products are difficult for average consumer to understand, average consumer of financial services has incomplete information, limited cognitive abilities and insufficient financial and legal expertise so as to use the full potential of the given information (Mak, V. 2012:11-14). Current information paradigm is a normative paradigm. It builds on a specific assumption of human behavior and on a legal system which is designed to enforce this normative concept (Micklitz, H. W., Reisch, L. A., Hagen, K. 2011:271 et seq). The prevailing information paradigm, can be twofold. On the one hand, the goal is that ‘average consumer’ receives adequate information that is easy to understand and readily comparable, so he could make informed choice. On the other hand, it is known that even ‘average consumers’ have cognitive limitations in decision making process (Garcia Porras, C., Boom, W.H. van, 2012:28-29).

Over the years, the duty to inform has significantly evolved, at the same time becoming more complex and stricter. The number of data increased, information was becoming more complex, which is why it ultimately became standard, and other form-related requirements changed. This is why formal requirements became the instrument for increasing transparency with the ultimate goal to protect the weaker contracting party (Mankowski, P. 2005:781-782). Formalities here play the role of “wrapping” for the information, making it approachable for the average consumer (Grochowski, M. 2017: 56). The duty to inform, which was given the status of a paradigm over time, from the economic point of view has the goal to remove information asymmetry as one of the key market shortcomings (Hadfield, Howse, Trebilcock, 1998:141, Grundman, S., 2002:279). Hence, formal requirements are used as an easy and evident means to help overcome informational asymmetry as the basic short coming in B2C contracts. Informational deficiencies on the consumers’ part are believed to generate inefficient choices (Mankowski, P. 2005:781-782).

When all this is transferred to the segment of financial services, for consumers of financial services to be protected, it would be enough to provide them with the information on all the elements of the contract and potential risks. This would level the negotiating power of consumers and service providers, whereby no relevance should be given to consumers’ individual traits such as the level of professional knowledge required for appropriate understanding of complex financial terminology, experience, economic power, etc. However, when it comes to financial services, consumer information as the protection mechanisms is largely overestimated, bearing in mind the complexity of financial services and financial (il)literacy of the majority of consumers. For a long period of time, consumers used to face the problem of information deficit, while due to information paradigm the opposite extreme occurred, which is information overload (Ebers, M., 2004:8; Nordhausen Scholes, A., 2009:214; Cartwright, P., 2011:21).

Consumers cannot easily distinguish important from less important information, they are not able to process them and activate in rational decision making, which may result in a wrong choice. From the point of view of behavioral economics, by giving consumers more information, the quality of consumer decision making does not necessarily

⁴ See Case 210/96 Gut Springenheide [1998] ECR I-465, par. 31-32; Case 470/93 Mars [1995] ECR I-1923, par. 24; Yves Rocher [1993] ECR I-2361, Schott-Zwiesel [1994] ECR I-3879, Sektkellerei Kessler [1999] ECR I-513, Lancaster [2000] ECR I-117, Cidrerie Ruwet [2000] ECR I-8749.

improve. Consumers are individuals and therefore not identical, their cognitive skills and indeed their subjectively felt need for cognition may differ (Boom, W.H. van, 2011:360-361).

A large amount of information does not necessarily mean that individual consumers have a faster or easier choice, which points to the complexity of consumer decision making process in which consumer behavior often differs from the predictions of rational decision making models. The traditional, rational approach of consumer behavior while making a decision on buying a product or service assumes that consumers would collect information as long as it takes them to make a high-quality decision. Consumers would first collect the most valuable information, while they would consider additional information only if such information adds to the existing knowledge. In other words, consumers would collect as much information as possible provided that the process of collecting it is not too difficult or time consuming (Solomon, M., et. al. 2015:315). For decision making on financial services to be easier, consumers do no longer need to waste time and collect information, it is now placed by means of information forms. The domestic legislator, following the standards of the CCD, made a broad regulation of the duty to inform in the advertising stage prior to signing the contract as well as the type of information contracts need to include. The duty of pre-contract information is fulfilled by means of information form. Due to a complex nature of financial services, the legislator defined the content and layout of the information form which includes a list of 16 facts referring to: identity of the provider of financial service, basic characteristics and conditions of financial service, costs, rights and obligations of the contracting parties, and warnings in case of contracting obligation breach. Its purpose is to summarize all the key elements of the contract in a noticeable, clear and understandable manner, which would help consumers to understand more easily and compare the offers of various financial institutions. This means that consumers are still expected to invest cognitive effort in terms of analyzing and understanding the provided information. Thus, they would actively process the information and assess their alternatives for making a rational decision in line with the real needs and objective possibilities.

On the other hand, it should be kept in mind that no matter how understandable and clear the language in information forms is, the terminology is still specialized and complex and requires a certain level of financial and legal literacy to be properly understood, which is something that cannot be expected from the majority of consumers. Given the fact that information is formulated based on the knowledge, skills, and experience of “average consumer”, it is not expected that all consumers would benefit from the given information. Retail consumers may find it difficult or costly to obtain sufficient information about their financial purchases or understand complex financial products even when relevant information is disclosed. In other words, the information that consumer cannot understand can be seen as the total lack of information, as reading obviously does not mean the understanding of complex terms (Garcia Porras, C., Boom, W. H. van, 2012:41). This means that regardless of the scope and content of information, the majority of consumers would still have the problem to choose the best offer if they do not have a certain level of financial literacy. Financial literacy is knowledge and understanding of complex financial products and skills to navigate the financial market (Mak, V., Braspenning, J., 2012:307). Hence, consumer empowerment through the duty to inform would make sense only if consumers have a high level of financial literacy, as only then would they be able to make responsible financial decisions. Therefore, the idea that an “empowered consumer“ can safeguard his or her own interests, is perhaps simply a myth (Mak, V., 2012:4), as many studies on financial literacy conducted in various financial markets and in different countries showed that the level of consumer financial literacy is generally rather low.⁵

3. Research Methodology

The aims of the research: 1) To identify the criteria guiding the consumers when selecting financial services, 2) to ascertain the availability of the standard information form that financial institutions need to provide for their consumers of financial services,

3) to establish the structure of the respondents in terms of their understanding of the content of the agreement on the usage of financial services, 4) to define the correlation between the availability of the standard information form and the participants' satisfaction with their decisions on using financial services.

⁵The World Bank studies aimed at establishing the level of financial literacy (regardless of the lack of a standard test) confirmed that the majority of the participants did not understand certain financial terms. See World Bank (2010) “Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia: A Diagnostic Tool”, ECSFP Working Paper, No. 1, August, Washington, DC, http://siteresources.worldbank.org/INTECAREGTOPPRVSECDEV/Resources/GoodPractices_August2010pdf. It is important to mention that the OECD created a questionnaire for measuring financial literacy, see OECD INFE (2011) Measuring Financial Literacy: Core Questionnaire in Measuring Financial Literacy: Questionnaire and Guidance Notes for conducting an Internationally Comparable Survey of Financial literacy. Paris: OECD. <http://www.oecd.org/finance/financial-education/49319977.pdf>

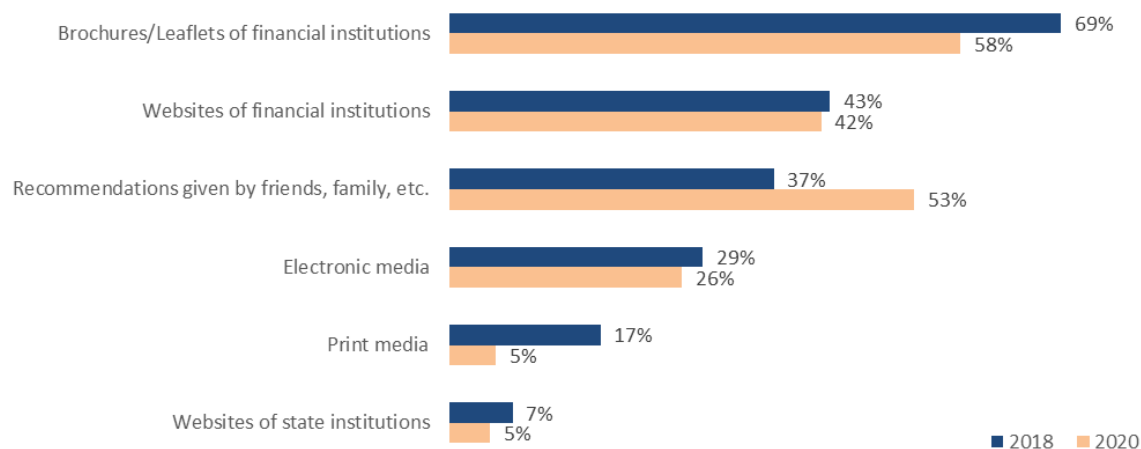
Data collection: The data presented in the following part of the paper are the result of the primary research. The primary data are collected by a structured questionnaire on a sample of 330 respondents. The data were collected on the territory of Bosnia and Herzegovina, from end users of financial services (retail consumers, persons), during the years 2018 and 2020, using the same form of data collection. In this way we attempted to register the changes of the given features among the consumers of financial services between two periods during which the data were collected (2018 and 2020). The consumer protection associations in Bosnia and Herzegovina provided assistance during the data collection process.

Apart from descriptive analysis, the data were processed by discriminant analysis so as to see potential differences in respondents' satisfaction by their selection of financial services between those who were given the standard information form by the financial institutions and those who were not informed this way.

4. Analysis and Discussion

4.1. Sources of information and key criteria guiding the consumers when selecting financial services

The results of the analysis presented in Graph 1 show that brochures/leaflets published by financial institutions were the leading source of consumer information while selecting certain financial services both in 2018 and 2020. The percentage of the respondents who used these brochures as the source of information on certain financial services in 2018 was 69% while two years later it reduced to 58%. The second source of information for the respondents in 2018 were the websites of financial institutions used by 43%, followed by the recommendations given by friends and family with 37%. The situation in 2020 was the opposite, as the recommendations given by friends and family were registered in 53% of the respondents while the websites of financial institutions were used by 42% of the respondents. As the respondents were able to mark multiple sources of information, the sum of all the modalities within this questions is not 100%. What is rather worrying and needs to be pointed out is that the websites of state institutions are rarely or not at all used when the information on financial services are collected by consumers. Only 7% of the respondents in 2018 and 5% of them in 2020 used the websites of state institutions in this process. It is obvious that the respondents believe their friends and acquaintances more than print and electronic media and official websites of state institutions. A detailed structure of the sources of information on financial services is given in Graph 1.



Graph 1. Share of individual sources of information on financial services
Source: Authors' research

The key criteria guiding the respondents when selecting financial services are given in Table 1. This table shows that the leading criterion guiding the respondents in 2018 were the effective interest rate (EIR) and the nominal interest rate (NIR). The respondents ranked the criteria guiding them while making decisions on the selection of financial services on a 1 to 6 scale, where rank 1 was the most important criterion, rank 2 was second most important, etc. The final ranking of these criteria was made according to the data given in the last column – rank sum. As rank 1 marks the most important criterion, according to the results of the research the criterion with the lowest value in the rank sum column is actually the most important criterion for the respondents.

Following this principle, the rank sum column was used to rank other criteria the respondents used when making their decisions. According to the data given in Table 1, the respondents had the same order of the criteria in both time periods (2018 and 2020), when they made their decisions on the selection of financial services. The third in order of importance is the amount of annuity, followed by repayment term in the fourth and collateral (credit security) in the fifth place. A detailed structure of the respondents by the observed criteria is given in Table 1.

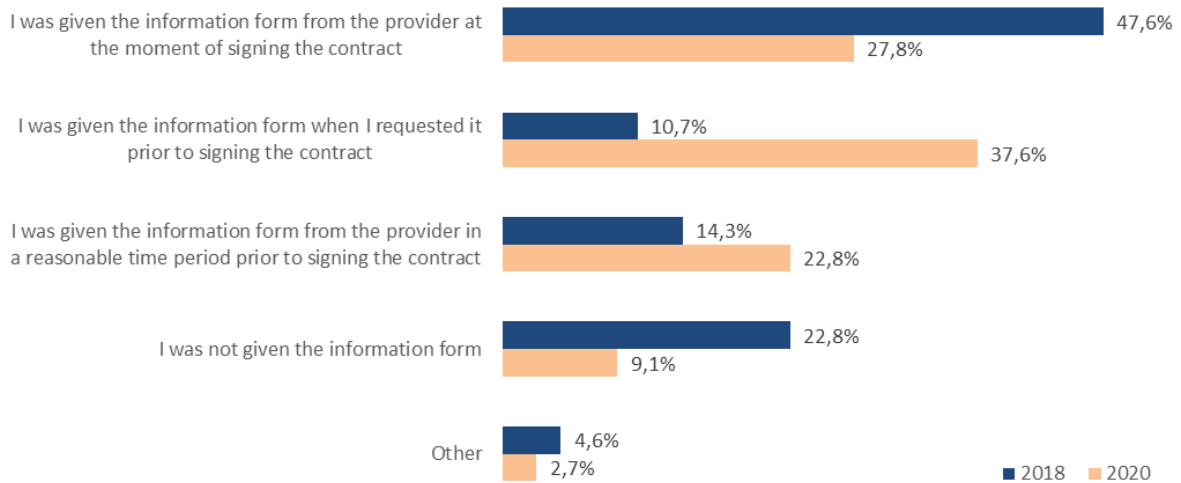
Table 1. Structure of criterion guiding the respondents when making decisions on the selection of financial services

Decision making criteria	Year	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank sum
Amount of annual effective interest rate (EIR)	2018	24%	29%	15%	16%	12%	3%	428
Amount and variability of nominal interest rate (NIR)		28%	26%	17%	13%	12%	4%	476
Monthly expenses (monthly costs, monthly annuity, etc.)		14%	12%	10%	22%	37%	4%	532
Time frame (credit repayment term, etc.)		7%	19%	24%	27%	17%	7%	537
Security (collateral) for using financial service (banker's draft, mortgage, co-debt, etc.)		22%	11%	27%	17%	17%	6%	563
Other		5%	3%	7%	5%	5%	76%	866
Total		100%	100%	100%	100%	100%	100%	
Amount of annual effective interest rate (EIR)	2020	5%	43%	14%	24%	9%	4%	446
Amount and variability of nominal interest rate (NIR)		48%	14%	9%	9%	14%	6%	449
Monthly expenses (monthly costs, monthly annuity, etc.)		9%	24%	28%	19%	10%	9%	518
Time frame (credit repayment term, etc.)		9%	9%	24%	28%	19%	10%	581
Security (collateral) for using financial service (banker's draft, mortgage, co-debt, etc.)		19%	5%	9%	14%	43%	9%	602
Other		10%	5%	16%	6%	5%	62%	806
Total		100%	100%	100%	100%	100%	100%	

Source: Authors' research

4.2. Respondents' experience regarding the availability of the standard information form and understanding the contract on using financial services

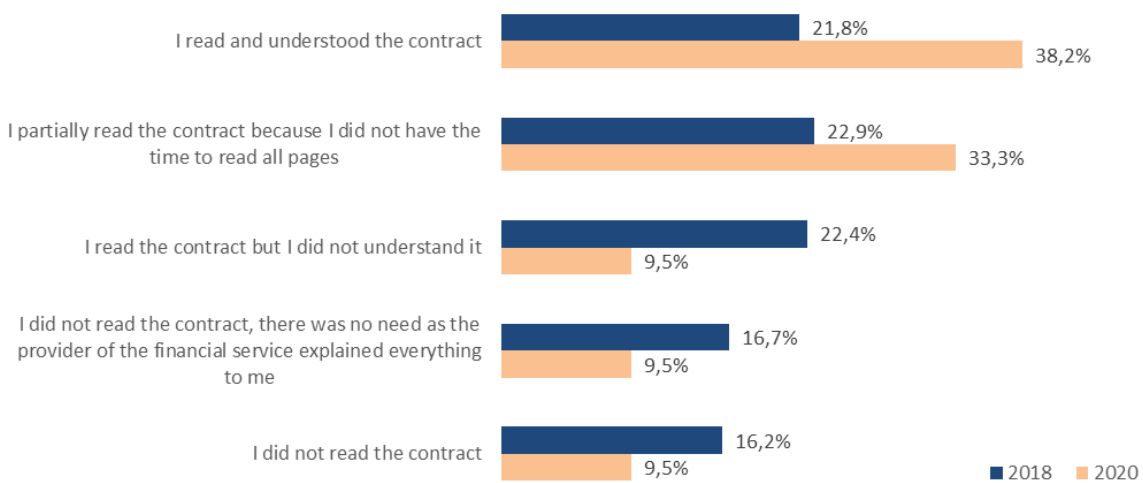
Since appropriate and timely information is rather important for making any decision, the following part of the paper brings the analysis of the extent to which the consumers of financial services are aware of the obligation of financial institutions to provide pre-contract information in the process of concluding the contract. The results of the primary research show that less than a half of the respondents (47.6% in 2018) were given the legally required standard information form at the moment of signing the contract while in 2020, the number of the respondents with such an experience was lower (27.8%). The results of the research show improved practices of financial institutions in 2020, compared to 2018, regarding the timely information to the clients on all the specific aspects of the services they provide. More than a fifth of the respondents (22.8%) in the year 2018 were not given the legally required standard information form prior to concluding the contract on financial services and the number of the respondents per this segment was reduced in 2020 to 9.1%. The detailed data on other experiences of the respondents in terms of the availability of the standard information form prior to concluding the contract on using financial services are given in Graph 2. The data show the fact that in 2020 the respondents were more in a position of having the standard information form available prior to their contract with the financial institution. This, among other things, may be the consequence of the increased cautiousness in making financial decisions in crisis (in the context of the COVID-19 pandemic) on the one hand, as well as of increased efforts of financial institutions in maintaining clients' dedication and trust on the other hand.



Graph2. Structure of respondents regarding the obtaining of the standard information form from the providers of financial services
Source: Authors' research

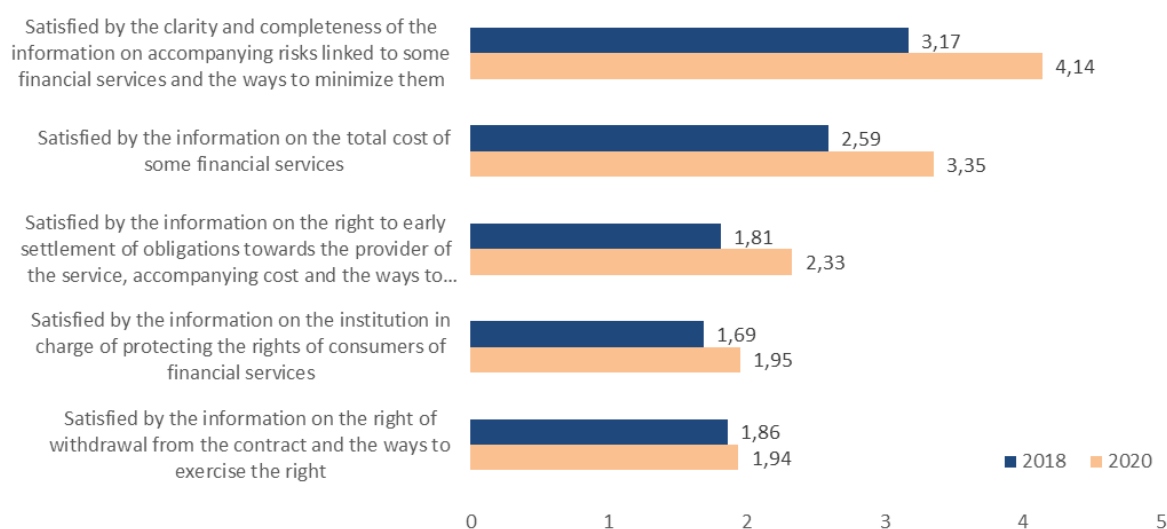
Pre-contract information is a legally required unilateral obligation of the providers of financial services but the need for the active participation of consumers is often left out as information implies that consumers read and analyze information. The primary research was aimed at establishing to what extent consumers individually get informed on the rights and obligations they take when signing the contract and to what extent they read and understand the information specified in the contract. The structure of the respondents' behavior regarding reading and understanding the contract on using financial services is given in Graph 3. As the results show, in 2018 only one fifth of the respondents (21.8%) read and understood the provisions of the contract on using financial services while their number in 2020 increased to somewhat above 38.2%. Similar data were registered regarding the number of the respondents who partially read the contract on using financial services as they did not have the time to read the entire contract. It is illustrative to mention that in 2018, one third (32.9%) of the respondents did not at all read their contracts on using financial services. In 2020, we registered an improvement on this issue, as the number of the respondents who did not read their contracts on using financial services was 19%.

Bearing in mind the importance of decisions on financial services, this fact comes as a surprise as it is expected that a significantly higher number of the respondents pay much more attention to a detailed reading and demanding clarification of some elements so as to better understand all the aspects of the financial decisions they make.



Graph3. Structure of respondents regarding the understanding of the contract on using financial services
Source: Authors' research

If we analyze the respondents' satisfaction by the pre-contract information they obtained from financial institutions, we may say that the average rates in 2020 are significantly higher when compared to the average values in 2018 (Graph 4). In 2018, the respondents were most satisfied by the clarity and completeness of the information on accompanying risks linked to some financial services. The average rate (on a scale from 1 – completely dissatisfied to 5-fully satisfied) given to this segment of pre-contract information was 3.17 while in 2020 it increased to 4.14. Less satisfaction of the consumers of financial services was registered for the information on the total cost of some financial services, with the average rate of 2.59 in 2018 and 3.35 in 2020. In 2018, the respondents were least satisfied by the information on the institutions in charge of protecting the rights of financial services consumers (the average rate 1.69) and in 2020, apart from this segments, the respondents were dissatisfied by the information on the right of withdrawal from the contract and the ways to exercise that right.



Graph4. Average assessment of respondents' satisfaction by pre-contract information they obtained from financial institutions

Source: Authors' research

4.3. Analysis of correlation between the availability of the standard information form and the respondents' satisfaction by the decisions on using financial services

Discriminant analysis was used to determine if there is a difference in the respondents' satisfaction by the decisions on using financial services between the respondents who were given the standard information form required by the law and those who were not informed in that way on the financial services that they decided to use. The availability of the standard information form was the independent variable for the respondents (the modalities were: a) the respondent received the information form from the financial institution at the moment of signing the contract, b) the respondent received the information form from the financial institution in a reasonable time period prior to signing the contract, c) the respondent received the information form from the financial institution upon his/her request prior to signing the contract, d) the respondent did not receive the information form, and d) other situations on behalf of the respondents related to the availability of the standard information form). The respondents rated their satisfaction by the financial services on a 1 to 5 scale and their satisfaction is the dependent variable. Table 3 shows the values of *Wilks' Lambda* (for both observed period) to test the hypotheses on statistical significance of the model of discriminant analysis. The obtained results point to the fact that the models of discriminant analysis for both observed years are statistically significant as the Sig. indicators are 0.003 for 2018 and 0.009 for 2020 (less than 0.05).

Table 3. Values of *Wilks' Lambda*

year	Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
2018	1	.948	15.988	4	.003
2020	1	.520	11.458	3	.009

Source: Authors' research

Table 4 brings the values of canonical correlations used for the measurement of the correlation between the discriminant function and the category variable. Canonical correlation was 0.227 for 2018 and 0.693 for 2020.

Particular attention was made to the value of square canonical correlation whose value for 2018 was 0.0515 ($=0.227^2$) while for 2020 it was significantly higher with the value of 0.4802 ($=0.693^2$). According to the data, 5.15% of the variance of the dependent variable is explained by the discriminant model for the year 2018, while 48.02% of the variance of the dependent variable is explained by the discriminant model for the year 2020. It can be assumed that a significant increase in the observed values in 2020 is, among other things, the result of specific circumstances under which the consumers conclude their contract on using financial services, which come as the consequence of the COVID-19 pandemic. It is expected that in new, rather difficult conditions of earning and living in general, consumers pay much more attention to obtaining useful information while concluding contracts on using financial services. However, this assumption should be tested in a new study.

Table 4. Values of canonical correlation

Year	Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
2018	1	.055 ^a	100.0	100.0	.227
2020	1	.925 ^a	100.0	100.0	.693

a. First 1 canonical discriminant functions were used in the analysis.

Source: Authors' research

The results of the classification (Table 5) show moderate ability of the discriminant model to predict group membership of the consumers of financial services and their satisfaction based on the availability of the standard information form while signing the contract with the financial institution. According to the data for 2020, this ability of the discriminant model was somewhat higher (47.6%) compared to 2018, where the so called *hit ratio* was 31.8%.

Table 5. Classification results

	2018	2020
% of original grouped cases correctly classified:	31.8	47.6

a. First 1 canonical discriminant functions were used in the analysis.

Source: Authors' research

The outbreak of the COVID-19 pandemic affected the changes of numerous habits of consumers, including their understanding of the importance of proper information when deciding on the usage of financial services. Consumers are now much more cautious when they select financial services and are more prone to opt for those financial institutions that provide comprehensive and more understandable information during negotiation and conclusion of the contract.

5. Conclusion

Summary of the findings – The research results point to the importance of financial institutions providing comprehensive information to consumers while they negotiate and conclude the contract on using financial services. Discriminant analysis indicates that variations (changes) in the respondents' satisfaction by their decisions regarding the selection of financial services are, among other things, the consequence of the availability of information that the respondents should be given by financial institutions. This is particularly evident in the analysis of the data for 2020 where 48.02% of the variations in the respondents' satisfaction by their decisions on the selection of financial services is explained by the availability of standard information prior to concluding the contract on using financial services.

Bearing in mind the research goals, we bring the summary of the key research results. According to them, the major source of information for the consumers of financial services are: 1) brochures/leaflets published by financial institutions, 2) recommendations given by friends and family, and 3) websites of financial institutions. The criteria that guide the respondents (users of financial services) when they make decisions on using financial services are ranked by importance as follows: 1) amount of annual effective interest rate, 2) amount of nominal interest rate, 3) monthly expenses (monthly costs, monthly annuity, etc.), 4) time frame (credit repayment term, etc.), and 5) security (collateral) for using financial service

As the research results show, in 2020 9.1% of the respondents did not actually receive the standard information form, 27.8% of them received this form at the moment of signing the contract, 37.6% of the respondents received the form prior to concluding the contract but upon their request, and 22.8% of the respondents obtained the standard information form from financial institution in a reasonable time period prior to concluding the contract.

The data indicate that in somewhat over one fifth of the cases (22.8% of the respondents), the financial institutions strictly implemented their legal obligations to timely deliver the standard information form to potential consumers, which is a rather worrying practice from the perspective of the implementation of legal regulations

The results of the research for the year 2020 show that somewhat over one third of the respondents (38.2%) fully read and understood the contract on using financial service. All the other respondents either read the contract partially or did not read it at all. This points to the need of wider education of the consumers of financial services on the importance of responsible behavior while signing the contract on financial services. This is particularly important as bad decisions in the field of financial services may have negative effects on sociodemographic elements of the society. Special responsibility in this process is placed on financial institutions as it is their long-term interest to have reliable and financially competent clients.

Discriminant analysis shows that there is a significant correlation between the availability of the standard information form and the respondents' satisfaction by their decisions on using financial services. The value of square canonical correlation for 2018 was 0.0515 while for 2020 it was significantly higher with the value of 0.4802. This means that 5.15% of the variance of the dependent variable is explained by the discriminant model for the year 2018, while 48.02% of the variance of the dependent variable is explained by the discriminant model for the year 2020. In addition, the results of the classification show moderate ability of the discriminant model to predict group membership of the consumers of financial services and their satisfaction based on the availability of the standard information form while signing the contract with the financial institution. According to the research results for 2018, the so called *hit ratio* was 31.8%, while for 2020 it was 47.6%.

Managerial implications – The results of this research are primarily valuable for the management of financial institutions as it is important for them to understand the specificities of behavior of consumers of financial services in the negotiating process. The value of the research results for the management of financial institutions is primarily evident in the following: 1) sources of information most often used by consumers of financial services, 2) criteria they use when deciding on the selection of financial services, 3) necessity of comprehensive and timely information for potential consumers of financial services in the negotiating process, as the results of discriminant analysis show a significant correlation between this element and the satisfaction of the consumers of financial services, which is the main assumption of long-term relationship between financial institution and consumers. Furthermore, the research results may help the regulatory bodies in Bosnia and Herzegovina in terms of taking actions to increase the level of fulfilling the legal obligations of financial institutions related to the protection of rights of financial services consumers.

Research limitations and recommendation for further research– The research limitation is primarily related to the need to link certain aspects of experiences of the consumers of financial services to certain financial institutions, so as to identify the financial institutions that least respect the rights of financial services consumers in terms of timely and comprehensive information. This research was limited to defining the changes of the observed features among the consumers of financial services between the two time periods in which the data were collected (2018 and 2020), but it did not address the causes of such changes. This can be the recommendation for future research. In addition, one of the recommendations for future research is the identification of the effect of the COVID-19 pandemic on the changes in the behavior of consumers of financial services in the process of negotiating and concluding contracts with financial institutions.

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