

The Effect of Education on the Utilization of Banking Services in Bangladesh

My Nguyen

Ho Chi Minh City Open University

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Abstract: This study investigate whether educated Bangladeshis utilize more banking services (N=154,321). Our results suggest that more educated Bangladeshi are more likely to utilize banking services. Quantitatively, an additional year of education in Bangladesh leads to a 3.6 percentage points rise in the probability of Bangladeshi using banking services, completing primary schooling increases the probability of Bangladeshi using banking services by 23.5 percentage points, and completing secondary schooling increases the probability of Bangladeshi using banking services by 31.3 percentage points.

Keywords: Education; Bangladesh; Banking Utilization

Introduction

Banks are important in Bangladesh for offering services to Bangladeshi people. However, the banking utilization in Bangladesh is still very low. Hence, policymakers in Bangladesh are seeking ways to improve Bangladeshi banking utilization.

This study investigate whether educated Bangladeshis utilize more banking services (N=154,321). The data is taken from the Bangladesh Demographic and Health Surveys (DHS-BGD). Regression frame work with DHS-BGD data is employed. The independent is Bangladeshi education. The outcome is Bangladeshi banking utilization. Focused on DHS-BGD sample of 154,321 Bangladeshis, we contribute to the literature concerning the Bangladeshi banking-education relationship across Bangladesh.

Our results suggest that more educated Bangladeshi are more likely to utilize banking services. Quantitatively, an additional year of education in Bangladesh leads to a 3.6 percentage points rise in the probability of Bangladeshi using banking services, completing primary schooling increases the probability of Bangladeshi using banking services by 23.5 percentage points, and completing

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secondary schooling increases the probability of Bangladeshi using banking services by 31.3 percentage points.

Data

Using information from Bangladesh Demographic and Health Surveys(DHS-BGD), we investigate whether educated Bangladeshis utilize more banking services. DHS-BGD records detailed data on Bangladeshi population. Multiple Bangladeshi attributes are provided in DHS-BGD. Regression framework with DHS-BGD data is employed. The independent is Bangladeshi education. The outcome is Bangladeshi banking utilization.

Table 1: Bangladeshi Descriptive Statistics

	Mean	SD	N
	(1)	(2)	(3)
Bangladeshi Banking Utilization	0.338	0.473	154321
Bangladeshi Primary School	0.546	0.498	154321
Bangladeshi Secondary School	0.120	0.325	154321
Bangladeshi Education	5.221	4.612	154321
Bangladeshi Male	0.470	0.499	154321
Bangladeshi Age	39.321	16.565	154321
Bangladeshi in Rural Areas	0.643	0.479	154321
Bangladeshi Currently Married	0.281	0.450	154321
Bangladeshi Household Head	0.348	0.476	154321

Table 1 presents the descriptive statistics of our DHS-BGD sample. The sample includes around 154,321 Bangladeshi respondents. The average share of Bangladeshi using banking services is 0.338. The share of Bangladeshi completing primary schooling in DHS-BGD is 0.546. The share of Bangladeshi completing secondary schooling in DHS-BGD is 0.120. The average DHS-BGD educational attainment is 5.221 years. The Bangladeshi male fraction is 0.470. The average age of Bangladeshi respondents is 39.321. The fraction of Bangladeshi living in rural areas is 0.643. The share of married Bangladeshi is 0.281. The share of DHS-BGD respondents being household head is 0.348.

Empirical Design

To investigate whether educated Bangladeshis utilize more banking services, we estimate the following regression(N=154,321),

$$Y_{ist} = \beta_0 + \beta_1 Edu_{ist} + X'_{ist} \Omega + \epsilon_{ist}$$

where i , s , and t refer to Bangladeshi individuals, DHS-BGD residential cluster, and DHS-BGD survey date. Y_{ist} is Bangladeshi banking utilization.

Edu_{ist} is Bangladeshi educational year, Bangladeshi completing primary schooling, and Bangladeshi completing secondary schooling. X'_{ist} includes Bangladeshi age, squared-age, gender, whether Bangladeshi respondent is married, whether Bangladeshi respondent is in rural areas, whether Bangladeshi respondent is household head, Bangladeshi birth year fixed effects, DHS-BGD residential cluster fixed effects, DHS-BGD survey date fixed effects. ϵ_{ist} is the error term.

The coefficient β_1 is the effects of education on Bangladeshi banking utilization. Simply put, β_1 depicts the difference in banking utilization of Bangladeshi living in the same neighborhood but differing in education.

Results

Bangladeshi Education- The effects of Bangladeshi education on banking utilization in DHS-BGD is in Table 2. Column 1, where only Bangladeshi education is included, depicts the effects of Bangladeshi education on banking utilization in DHS-BGD. We find that an additional year of education in Bangladesh leads to a 3.8 percentage points rise in the probability of Bangladeshi using banking services.

This estimate is simply a correlation between banking utilization and Bangladeshi education in DHS-BGD, while factors in DHS-BGD are not included. Hence, we include Bangladeshi features and DHS-BGD temporal-spatial fixed effects. Evident from Column 3, we find that an additional year of education in Bangladesh leads to a 3.6 percentage points rise in the probability of Bangladeshi using banking services.

Table 2: Bangladeshi Education

	(1)	(2)	(3)
Bangladeshi Education	0.038*** (0.000)	0.042*** (0.000)	0.036*** (0.000)
Observations	154321	154321	154321
Cluster FE	.	.	X
Characteristics	.	X	X

Bangladeshi Primary Schooling- The effects of Bangladeshi primary education on banking utilization in DHS-BGD is in Table 3. Column 1, where only Bangladeshi primary education is included, depicts the effects of Bangladeshi primary education on banking utilization in DHS-BGD. We find that completing primary schooling increases the probability of Bangladeshi using banking services by 26.7 percentage points.

This estimate is simply a correlation between banking utilization and Bangladeshi primary education in DHS-BGD, while factors in DHS-BGD are not included. Hence, we include Bangladeshi features and DHS-BGD temporal-spatial fixed effects. Evident from Column 3, we find that completing

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primary schooling increases the probability of Bangladeshi using banking services by 23.5percentage points.

Table 3: Bangladeshi Primary Schooling

	(1)	(2)	(3)
Bangladeshi Primary	0.267*** (0.002)	0.296*** (0.002)	0.235*** (0.003)
Observations	154321	154321	154321
Cluster FE	.	.	X
Characteristics	.	X	X

Bangladeshi Secondary Schooling - The effects of Bangladeshi secondary education on banking utilization in DHS-BGD is in Table 4. Column 1, where only Bangladeshi secondary education is included, depicts the effects of Bangladeshi secondary education on banking utilization in DHS-BGD. We find that completing secondary schooling increases the probability of Bangladeshi using banking services by 42.0percentage points.

This estimate is simply a correlation between banking utilization and Bangladeshi secondary education in DHS-BGD, while factors in DHS-BGD are not included. Hence, we include Bangladeshi features and DHS-BGD temporal-spatial fixed effects. Evident from Column 3, we find that completing secondary schooling increases the probability of Bangladeshi using banking services by 31.3percentage points.

Table 4: Bangladeshi Secondary Schooling

	(1)	(2)	(3)
Bangladeshi Secondary	0.420*** (0.004)	0.395*** (0.004)	0.313*** (0.004)
Observations	154321	154321	154321
Cluster FE	.	.	X
Characteristics	.	X	X

Conclusion

Banks are important in Bangladesh for offering services to Bangladeshi people. However, the banking utilization in Bangladesh is still very low. Hence, policymakers in Bangladesh are seeking ways to improve Bangladeshi banking utilization. This study investigate whether educated Bangladeshis utilize more banking services (N=154,321). The data is taken from the Bangladesh Demographic and Health Surveys (DHS-BGD). Regression framework with DHS-BGD data is employed. The independent is Bangladeshi education. The outcome is Bangladeshi banking utilization. Focused on DHS-BGD

sample of 154,321 Bangladeshis, we contribute to the literature concerning the Bangladeshi banking-education relationship across Bangladesh.

Our results suggest that more educated Bangladeshi are more likely to utilize banking services. Quantitatively, an additional year of education in Bangladesh leads to a 3.6 percentage points rise in the probability of Bangladeshi using banking services, completing primary schooling increases the probability of Bangladeshi using banking services by 23.5 percentage points, and completing secondary schooling increases the probability of Bangladeshi using banking services by 31.3 percentage points.

The results are related to research on factors affecting Bangladeshi well-being. For example, food shortage and violence in Bangladesh cause to poor survival rates; extreme temperature and precipitation in Bangladesh worsen living standard; education, nutrition, and land programs improve Bangladeshi wellbeing; measures to diseases in Bangladesh also affect wellbeing (Hang et al., 2020a, 2020b; Le, 2020a, 2020b, 2020c).

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