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DETERMINANTS OF FINANCIAL EXCLUSION IN THE OPINION OF CONSUMERS AND DIRECTORS OF BANKS

DETERMINANTY WYKLUCZENIA FINANSOWEGO W OPINIACH KONSUMENTÓW ORAZ DYREKTORÓW BANKÓW

Key words: financial exclusion, retail banking, banking services

Słowa kluczowe: wykluczenie finansowe, bankowość detaliczna, usługi bankowe

Abstract. This article presents the perception of factors determining the use of banking services in the opinion of consumers who do not use banking services and of directors of bank branches. Bankers emphasize a lack of habit or need to save money as well as the habit of stashing cash at home, hiding income and/or financial assets as factors preventing individuals from using banking services. In the opinion of consumers, what makes people wary and reluctant to use banking services is the fact that it is difficult to access banks and too expensive. As a result, certain individuals avoid banks. Half of the people who do not use banks are rural residents. The declared reasons for financial exclusion of rural residents and urban residents are the same. This study encompassed a sample of N=1000 people who did not use banks as well as N=200 bank branch directors.

Introduction

In terms of many technological standards, the banking market in Poland does not differ from the standards applied in Western Europe. The process of technological change in banking has been very dynamic. The first bank card was issued in Poland in 1992. The year 2000 brought about the introduction of telephone banking, the year 2003 – Internet banking and the year 2011 – mobile banking. This, however, did not change the fact that 66% of Polish residents aged 15+ declared having a current account at a bank in the third quarter of 2012. This was four times more than at the beginning of the 90s, but still much lower than in other countries of the European Union [Mandell 2006]. Every third Pole (10 560 400 people aged 18+) does not have their own account; and, as a result, they are financially excluded [Audyty bankowości... 2012]. The problem of financial exclusion is particularly evident in rural areas [Gardner 2007]. Half of the people in Poland who do not use banks are rural residents. The declared reasons for financial exclusion of rural residents and urban residents are the same. 33% of those without a bank are under the age of 30, 47% are aged 50+, while 48% of people who do not use banks are those with primary education [Clark, Forter 2005, Audyt bankowości... 2012].

Financial exclusion refers to a situation when social units experience difficulties in accessing or using financial services and products [Anderloni et al. 2008]. In theory, the main reasons of financial exclusion in society are: a) social reasons (changes on the labour market, social inequality, demographic changes, fiscal policy), b) supply reasons (limited access to banks, methods of managing banking risk, prices of banking services, banks' activities that exclude the poorest people or the construction of banking products), c) demand reasons (a self-excluding attitude – “this bank is not for me”, a low level of financial education, fear of losing control over one's finances, and fear of costs of the banking services).

Research objective, empirical material

The objective of this study was to identify and appraise the selected reasons that were behind the issue of the unbanked from the standpoint of supply and demand. The opinions of the people who did not use banking services and the opinions of bank employees were analyzed. The source

of empirical data was the results of TNS Polska's own surveys. The surveys encompassed a nationwide representative sample of N=1000 of the country's residents aged 15+ who did not use banking services. The surveys were conducted in September and October 2012 using computer-aided personal interviews (CAPI). Additionally, the survey included a sample (N=200) of bank branch directors representing all banks in Poland offering services for retail customers. Research was conducted using computer-aided telephone interviews in September 2012.

Selected demand-related determinants of financial exclusion

The catalogue of reasons for not using banks declared by consumers is strongly saturated with a stereotypical and incomplete picture of banking services. Most frequently, the unbanked spontaneously say that they do not have enough financial assets or regular incomes (65%) which, in their opinion, prevent them from entering the market of financial services (Fig. 1). However, it can be assumed that in the case of 60-70% of the unbanked, the bad financial situation cannot serve as an excuse for not using banks [Nieubankowieni 2011]. One-fifth of the unbanked (20%) save their financial surplus at least from time to time. According to declarations, if the unbanked were to save some money, they would save on average PLN 170 from their monthly incomes. In the group of those who use banking services, the sum amounts to PLN 530. It is common knowledge among the unbanked that in order to be a bank customer one needs to have a financial surplus. The unbanked feel that they are financially unattractive for banks by classifying themselves as a group of people who are unbanked out of their own volition [Bertrand et al. 2006]. However, it should be added that the unbanked share the opinion that banks offer a wide spectrum of products, none of which are appropriate for them. In this case, it is worth considering whether such bank offers are inadequate to the needs of these people or whether these offers are relatively adequate but improperly communicated; and, additionally whether the offers reach "substantially and mentally unprepared ground", or whether this is also a conscious choice of these people [Nieubankowieni 2011].

The second most frequently indicated reason for not using bank services is a lack of need (Fig. 1). One-third of the unbanked openly admit that they do not feel any need to use banking services. They also add: "you can live without an account and a card and you can make most transactions, but

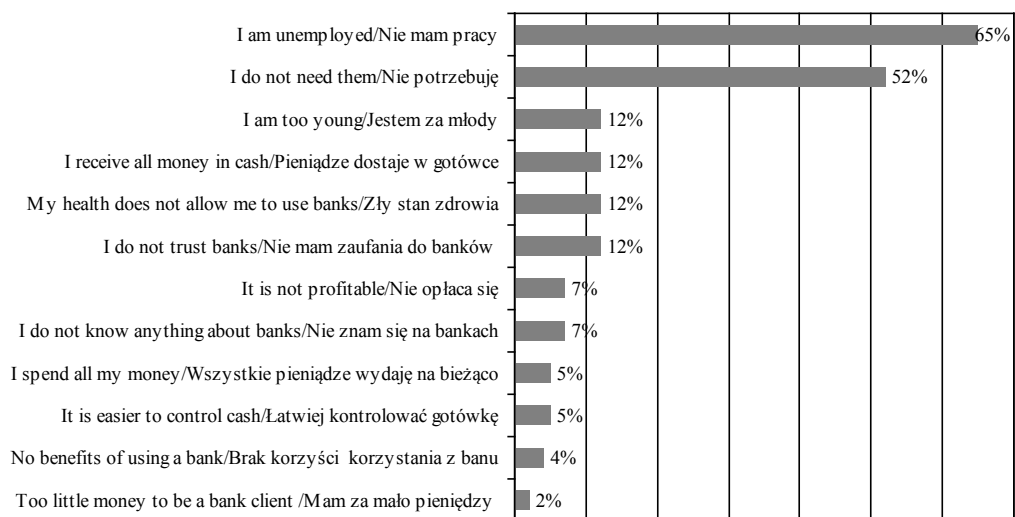


Figure 1. Declared reasons for not using banking services among the unbanked

Rysunek 1. Deklarowane powody niekorzystania z usług banków w grupie nieubankowionych

Source/Źródło: Nieubankowieni 2011

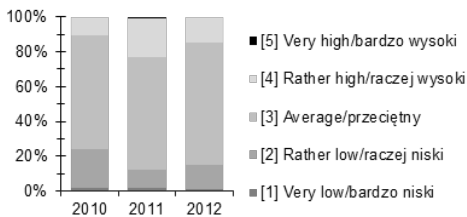


Figure 2. Evaluation of the financial competence of Poles in the opinion of bankers

Rysunek 2. Ocena kompetencji finansowych Polaków w opinii bankowców

Source/Źródło: Monitor Bankowy 2012

Among spontaneous answers which Poles use to justify why they do not use banking services, the lack of trust in banks, an unsatisfactory offer or high prices of banking services are rarely indicated. Some people also reveal that they do not use banking services because they are worried about the safety of their finances. The possibility of revealing how much money they have on their accounts to the fiscal authorities or the risk of money theft from an account is of primary concern to them. Financial security also means fear of losing control over one's expenditures: "I will not spend more than I have in my pocket, and I always know how much I have on me".

The unbanked do not share the opinion that banks are not available for consumers as regards physical access to bank branches. Moreover, when consumers justify the fact that they do not use banking services, they completely disregard their own low level of knowledge about finances and the inability to use banking products.

In the opinion of bank employees, just 15% of bank customers are quite highly competent when it comes to the ability of using banking services. In the case of the unbanked, these figures are much worse. More than 80% of them do not have any qualms about admitting openly that they do not know anything about banks [Audyt bankowości... 2012]. The unbanked are also not interested in banks: 7% of them are unable to mention a single name of a bank, while 47% of the unbanked are unable to evaluate the security or profitability of deposit accounts. Only 13% of the unbanked have heard about contactless payments in comparison with 53% of those who use banks. 60% of the unbanked have not come across an advertisement of any bank recently; whereas in the case of bank users this figure is only 26%. 70% of the unbanked are unfamiliar with the brand of any bank offering Internet banking (spontaneous familiarity), and 74% are unable to mention any bank offering a free current account (for PLN 0) [Audyt bankowości... 2012].

Another social determinant is a very slow process of penetrating household member attitudes by standards used by banks. Negative stereotypes of the perception of financial institutions are deeply rooted among the unbanked. These attitudes change only when a relationship with a financial institution is struck and/or through experience. 89% of households in Poland have a bank account (any member of the household), whereas only 66% of the country's residents declare having a current account. From among the people in their closest surroundings, they are frequently not the only ones who do not use banks. The awareness that it is not only them who avoid banks decreases motivation and confirms the conviction that banks are not a prerequisite. Moreover, the people who use banks only use basic financial services. For the unbanked, this serves as additional justification of the correctness of their choice: "Why should I tie myself to a bank if the only service that I am going to use is a low-interest current account".

Bankers indicate similar reasons for Poles not using banking services in comparison with the opinion of consumers but in other words [Monitor Bankowy... 2011]. Bankers emphasize the lack of habit to save money, the force of habit of Poles to keep cash at home and concealing actual incomes and financial assets as reasons for financial exclusion (Fig. 3).

you cannot live without cash". They justify that you can function "normally" in Poland without a current account [Dixon 2006]. These consumers do not see any benefit of having a bank account. For this group, managing one's own finances means having cash in hand. Each "Polish zloty", more often than not, has its purpose, and everyday shopping is precisely calculated. Even in the case of having surplus cash, it is kept at home, so that it is not endangered in any way (even if it is a deposit account). The average amount of savings of the group of unbanked amount to PLN 6800 [Audyt bankowości... 2012].

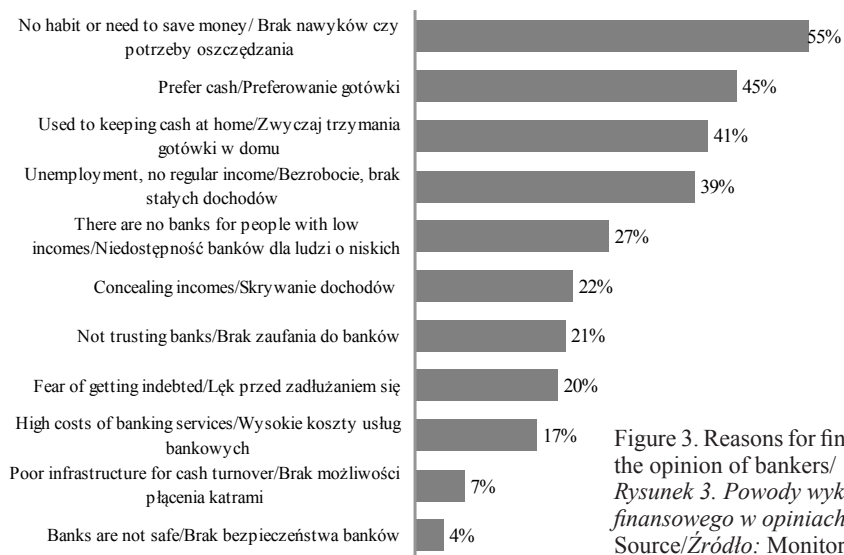


Figure 3. Reasons for financial exclusion in the opinion of bankers/
 Rysunek 3. Powody wykluczenia finansowego w opiniach bankowców
 Source/Źródło: Monitor Bankowy 2011

Selected supply-related determinants of financial exclusion

Opinions stating the indispensable role of banks in economy are frequently accompanied by comments that the role of banks in decreasing the issue of the unbanked is insufficient [Audyty bankowości... 2012]. Banks strive to achieve the highest profitability and this is one of the key factors determining a bank's strategies. Banks close less profitable branches by shifting the majority of services and sales to the Internet. The number of bank branches per million residents places Poland below average for the European Union [Anderloni et al. 2008]. Additionally, the significance of the effectiveness of marketing is important. For a bank, it is easier and cheaper to acquire a customer who already uses banking services by winning such a customer over from another competitive bank rather than to try to get a person who still does not have any relation with any bank. In the opinion of some analysts, "banks fight over the same 10% of customers who already use banking services". Most of all, banks would like to deal with affluent or well-to-do customers or those with high prospects [Monitor bankowy... 2011].

Banks do not undertake any measures to educate current customers: "Banks do not mold customers for their own needs." Word-of-mouth marketing concerning banking services and aimed at the unbanked does not work. Banks provide education aimed at "superficial economic awareness." As a result, consumers mostly register pictures, facts and slogans from the media. Banks are not interested in education that builds deep awareness resulting from a long and complex process of education starting at a school level (formal education) [Szarfenberg 2006].

More and more frequently, an issue sparking more awareness is a lack of municipal banks, which are non-profit organizations. Non-profit municipal banks in Holland offer social accounts [Checking out... 2006, Wykluczenie finansowe... 2009]. Apart from strictly offering banking activities, they deal in preventing and decreasing excessive indebtedness of households by holding workshops and providing consulting services on planning home budgets and managing money. In justified cases, they also offer low social credits, thus helping people who are excluded from the financial market to return to normal life [Financial Services... 2007]. Other solutions used in the UK is discussed in the publication *Financial Exclusion Review* [2012].

Summary

Bankers and the public opinion unanimously believe that Poles make use of banks at an insufficient level. For many consumers banks are difficult to reach or available but too expensive. As a result, such consumers are wary of banks and choose to avoid using them. Furthermore, avoidance of banks and their services by the unbanked is further enhanced by the social perception of banks, the stereotypical perception of a bank that the majority of this group has never had anything to do with, and finally by an inadequate perception this group's individuals have in relation to a bank.

The determinants of being unbanked are complex and each segment of the unbanked provides different determinants of this situation. A remedy to decrease this problem cannot involve simple and routine activities. In order to prevent the occurrence of the unbanked, it is necessary to identify the character of the group well using the right studies and appropriate tools. In order to be effective, the whole process should have a coordinated character and be carried out on the basis of a good programme. Its performers should be motivated – it should simply be profitable for banks, and the other participants of the programme should also have some social and macroeconomic benefits in the long run. This process should also be positively supported by macroeconomic changes in the economy as well as a systematic increase in wealth of society.

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Streszczenie

Przedstawiono percepcję czynników warunkujących korzystanie z usług banków w opinii konsumentów niekorzystających z usług banków oraz opinii dyrektorów placówek bankowych. Badania objęły próbę 1000 osób niekorzystających z banków oraz 200 dyrektorów placówek bankowych. Wśród bankowców przeważały brak nawyku i potrzeby oszczędzania, przyzwyczajenie do trzymania gotówki w domu, a także ukrywanie realnych dochodów i oszczędności. Zdaniem badanych konsumentów banki są mało dostępne i mają zbyt duże koszty obsługi, co przekłada się na brak zaufania do tych jednostek i w efekcie niekorzystanie z ich usług. Około połowę badanych, którzy nie korzystali z banków stanowili mieszkańcy obszarów wiejskich. Powody wykluczenia finansowego mieszkańców wsi oraz mieszkańców miast są jednak takie same.

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