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Financial exclusion of the poor: a literature review

Paul Sergius Koku
The College of Business, Florida Atlantic University, Boca Raton, Florida, USA

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Abstract

Purpose – The purpose of this paper is to conduct a cross-disciplinary review of the literature on financial exclusion in order to provide a place where one could have a bird's eye view of the academic activities that have been happening in the area.
Design/methodology/approach – As a literature review, no specific methodology is required.
Findings – Researchers in economic geography and urbanization seem to have contributed significantly to the growing literature on financial exclusion. The persistence of the problem despite efforts to combat it calls for innovative thinking on the part of marketing scholars and financial institutions on how to serve the unbanked.
Research limitations/implications – The review identifies gaps in the state of current research and provides direction for future research.
Practical implications – The study identifies gaps in the literature and provides directions for future research.
Social implications – As a literature review, there is only an indirect social implications in the sense that the studies reviewed could be used to impact people's lives.
Originality/value – As a literature review, originality is not an applicable criterion, however, the study provides value to the reader by bringing together disparate studies at one place and by pointing out gaps in the current state of research.

Keywords Borrowing, Financial services, Consumer credit, Personal finance

Paper type Literature review

Introduction

In as much as the problems of the poor are wide ranging and caused by several different factors, formulating programs to reduce the ravages of poverty require a clear understanding of the causes as well as the problems themselves. In addition to the efforts of several multinational agencies, several academics have devoted significant efforts to studies that are focussed on understanding problems of the poor. However, because these researchers are from disciplines other than business and marketing, their studies have also naturally appeared in journals that are not necessarily business or marketing related.

This paper conducts a review of the literature on financial exclusion of the poor. It attempts to be global in scope in the sense that in reviews the literature on financial exclusion on both developed and developing countries and covers a wide range of academic journals such as *Environment and Urban Planning*, *Social Policy*, *Social Science Research*, *Consumer Policy*, and *Geographical Studies*. In the end, the exercise offers value to marketing academics, practitioners and policy makers by pointing out gaps in the existing literature, providing direction for future studies, and by bringing together the disparate strands of research on financial exclusion of the poor -in a sense it offers a one-stop-shop.

The success of Grameen bank which was introduced by Muhammad Yunus in Bangladesh in 1976 to provide small loans to poor entrepreneurs has helped to make

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popular microfinancing and the offer of microcredit by non-governmental organizations in many developing countries as the core in the fight against poverty. However, the problem of the poor transcends the boundaries of developing countries and more complex than a simple lack of credit. Because the problem in each region may be caused by unique factors, there is no "one size-fits all" solution.

Financial exclusion is a broad term for the barriers faced by the poor. It is defined as "those processes that serve to prevent certain social groups and individuals from gaining access to the financial system" (Leyshon and Thrift, 1995, p. 314 cited in Gloukoviezoff, 2007). In addition to geographic barriers Leyshon and Thrift (1995) identified other forms of exclusion as follows:

(1) *Access exclusion*: the restriction of access through the processes of risk management.

(2) *Condition exclusion*: where the conditions attached to financial products make them inappropriate for the needs of some people.

(3) *Price exclusion*: where some people can only gain access to financial products at prices they cannot afford.

(4) *Marketing exclusion*: whereby some people are effectively excluded by targeting marketing and sales.

(5) *Self-exclusion*: people may decide that there is little point applying for a formal financial product because they believe they would be refused. Sometimes this is a result of having been refused personally in the past, sometimes because they know someone else who has been refused, or because of a belief that "they don't accept people who live round here."

Dymski (2005) viewed the problem of financial exclusion through a global lens whose scope went beyond the borders of a single country and conducts a macro trend analysis of the changes that have taken place in the financial markets around the world. Dymski took a region-by-region approach which covered Europe, USA, Japan, Asia, Latin America, and Africa. Bringing a fresh perspective to the problem, he explores the paradox in which "liberation of banking strategy" coexists with the rise of financial exclusion in the age of globalization, and argues that the:

> current scenario of liberalized banking and financial exclusion has emerged because of two successive phases of financial globalization: a macro-scale globalization beginning in the late 1970s and persisting two decades; and a micro-scale globalization, beginning in the late 1980s and still gathering force" (Dymski, 2005, p. 108).

Delving back into history, the author noted that banking practices varied from place to place in the past. For example, the Asian system offered universal participation in which the government performed a major role by directing credit at low but stable rates of return. European countries tended to offer a "range of functionally distinct institutions" that was tailored to meet diverse needs; some were scaled to cater to nation-wide demands while others were simply to meet local needs. The US used to have a system in which banks were local and segmented with near universal participation, and countries in Latin America used have universal banking in urban areas and informal financial arrangements in rural areas. However, all these diverse models of banking which were unique to their environments are now being replaced by a homogeneous system that caters to the upscale segment.

In the main, micro-scale globalization is generating both financial inclusion for the privileged and financial exclusion for the poor or working poor. In essence the bifurcation of operations in terms of efficiency/inefficiency is now present not only in micro-scale globalization, but also in wealth-equality/opportunity. As financial institutions focus on attracting desirable upscale customers by offering them low or zero fees for service, the poor customers are left with costly and limited services. Furthermore, the cross-subsidies between elite customers and other customers which allowed banks to offer small but similar financial services are being eliminated. Because banks now compete globally for elite customers, they no longer offer subsidies to lower-balance or riskier clientele. The end result of all these transitions is a larger number of households becoming unbanked ("those who are unable to establish or maintain bank accounts" Dymski, 2005, p. 125) and an ever clearer division between the financially included and the financially excluded.

Dymski (2005) concludes his insightful analysis by observing that financial institutions could be moving further from the point of equality of opportunity of wealth if they "blindly" move in the direction of efficiency. Therefore, it is essential for those who are concerned about the predicament of the working class and the poor in the current globalized financial markets to "identify and defend a standard of justice and just treatment in financial practices." The questions is who are these people and how will they defend the standard of justice and just treatment? There are no simple answers here. While some commentators might say that they are folks who formed the now famous "occupy Wall Street" movement, others may disagree. In the end, we need more than attention to the problem. We need solutions.

Following Dymski (2005), Carbo *et al.* (2007) also conducted a broad overview of the problem of financial exclusion, however, they focussed on Europe. The study examined the nature, causes and extent of financial exclusion and discusses policy/industry responses. It too suggests that the widespread liberalization of the financial industry that took place in Europe with its associated "intensification of bank competition" could be partially responsible for financial exclusion which has "become quite visible" during the past decade. Because the problem was either started or exacerbated by deregulation, according to the authors, what is faced today in financial exclusion has regulatory and institutional roots. The regulatory aspect of the problem came from the competitive activities in the industry that followed liberalization of the financial institutions. Those efforts drove financial intermediaries to develop strategies that not only segmented the population and targeted the wealthy, but also led them to develop loan application screening devices such as credit scoring and formulating financial contracts that have effectively excluded the market segments that are considered non-profitable (Boyce, 2000).

As in developing countries, Carbo *et al.* (2007) observed that financial exclusion is "invariable experienced by the poorer members of society" even though they are in developed countries. The percentage of the adult population, in Europe, who do not have bank accounting, for example is stunning: 22.4 percent in Italy, 17.9 percent in Greece, 16.8 percent in Ireland, 16.7 percent in Portugal, 13.5 percent in Austria and 10.5 percent in the UK. With regard to the consequences of financial exclusion, the researchers observed that while the problem of financial exclusion is not new, its effects are becoming increasingly serious. For example, the lack of access or not having a bank account makes it difficult for the poor to receive income and to make payment, or to receive credit that they sorely need to help them navigate the troughs and peaks of household budget. As a result, the poor resort to alternatives to the traditional financial institutions such as money-lenders, payday loans, pawnshops that charge very high rates. Other problems encountered by the poor as a result of exclusion are inability to obtain insurance coverage. They also face social exclusion because they literally live on the margins of society.

The UK and the USA have the most deregulated financial markets in the world. The deregulations seem to have made the problem of financial exclusion worse because financial institutions are encouraged to maximize shareholders profit. An argument can be made that a product of this climate is the "redlining" of some markets in the USA. However, policy makers in the USA try to combat financial exclusion with programs such as the Community Reinvestment Act of 1977 which is absent in Europe. The Community Reinvestment Act was passed to encourage depository institutions to meet the credit needs of the communities in which they operate.

Carbo *et al.* (2007) concluded that a policy response by the European Commission (EC) toward the problem of financial exclusion is disappointingly absent. Instead of developing the US type of Community Reinvestment Act, the EC's response has been ad hoc and mainly left to individual countries. While different countries such as the UK are tackling the problem of exclusion by promoting regional and social banking that involves entities such as the Post Office there is a need for European policy makers to consider a legislation that requires banks to open basic bank account services to everyone. Those who favor market-oriented solutions may question the wisdom in this proposal since it could entail some cost to the banks, but following an period where the public has been called upon to "bail" banks in financial troubles, we think the door has been opened for the public to also call on banks to help in including those who have traditionally been excluded from the mainstream financial markets.

Drakeford and Sachdev (2001) examined the causes of financial exclusion in the UK and the government's efforts to deal with the problem by reviewing the current literature and publicly available report government reports. Citing Lock (1999) who observed that "the first concerted attempt of any European Government to tackle the issue of financial exclusion by offering real choices to excluded people" (p. 9) the authors noted that government was sufficiently concerned about the problem and had been visibly taking steps to combat it. However, all the steps taken to deal with the problem thus far were supply-side solutions oriented; that is, instead of compelling the banks through regulatory means, the government appeals to the good-will of the financial institutions to take steps to increase access to the excluded.

Drakeford and Sachdev (2001) cited a report by University of Bristol which stated that persons classified as Pakistani are four times less likely than white counterparts to have a bank account. Indians are two times less likely and Bangladeshis are three times less likely (Guardian, 1998). These facts/statistics are evidence that underscores the fact that the problem of financial exclusion still persisted despite the government's efforts. The authors recommended a two-pronged solution in which the government employs demand-side as well as a supply-side approach as a way to ameliorate the problem of financial exclusion. However, what exactly they meant by those different approaches might be less clear to those who are looking for "hard" recommendations.

Devlin (2005), like Drakeford and Sachdev (2001), examined the problem of inancial exclusion in the UK and noted the increasing interest in the debate on financial exclusion in the UK. He also noted the fact that previous studies on the financial exclusion in the UK generally focussed on a single service, such as bank accounts, at the exclusion of all other services. He noted further that even though previous studies used different methods and models, they studied one particular issue, but the different approaches created a unique problem - “comparing and contrasting significant influences on exclusion across a range of financial services proves problematic.” Devlin (2005) sought to overcome this methodological problem by using a common model to test and compare the influences on exclusion for a wide range of financial services. The researcher’s common model based on the literature review includes such variables as gender, social class, age, household status, household income, ethnicity, region, educational attainment, and employment status, number of individuals in the household, and housing tenure (i.e. whether or not the individual owned a house).

Data for the study were collected using a representative sample frame constructed by a commercial market research agency. Face-to-face interview technique was used in which the participants responded to questions on a questionnaire. An initial sample of 210 parliamentary constituencies (a third of the total) was chosen as the primary sampling points. “Two areas containing 5,000 households were selected to ensure representativeness of demographic makeup of that constituency.” Furthermore, to ensure representativeness of the variables of interest, households were chosen at random by means of quota system. A binary logistic or logit model was used to test each financial service.

The results of this study are insightful and show that employment status, household income, and housing tenure are the more significant factors in financial exclusion. Marital status, age, and level of education also do play a role in financial exclusion. In service-by-service analyses, the results show that those who are from lower social class are more likely to be excluded from current accounts. With regard to age, those who are 66 + are less likely to own current account, ethnicity, however, does not appear to be a significant factor in the ownership of current account.

With regard to savings accounts, the study finds gender and social class to be significant factors; women are more likely to use savings account than men, and age was found to have a more significant effect in exclusion from savings account than it does in current account. Interestingly, however, ethnicity does not seem to have any effect on savings account ownership. Gender, marital status, and social class have no effect in exclusion from home insurance nonetheless age and ethnicity seem to play a role. In the case of life assurance, gender, ethnicity and social class have no effect on ownership, however, age has a strong impact. Single adults are less likely to have life assurance, while those who are married or cohabiting are more likely to have. With regard to pension, gender is a significant factor in exclusion with males less likely to be excluded than females. Devlin’s (2005) is, no doubt, comprehensive in its examination of the factors that correlate significantly with financial exclusion, the goal then is to allow these findings to shape public policies.

Affleck and Mellor (2006) asserted that financial exclusion is now recognized world-wide as an important aspect of socio-economic inequality whereby the poor and poor communities are isolated from the mainstream financial services particularly in the areas of affordable and readily available credit. The authors noted that different approaches are being used around the world to combat the problem of financial exclusion but these approaches have attained mixed results. These approaches have travelled under such different names as social investment programs, micro-finance programs, community finance, and community development. The current policy initiative of the government of the UK is to stimulate local enterprises and reduce dependency on state support through: promoting community development and finance programs (CDFI) to provide credit to poor communities, and grant-funding community and voluntary organizations to take neo-market approach to solving the problem of financial exclusion. Affleck and Mellor (2006) examined the former and evaluated its proposed role in community regeneration.

The authors reviewed studies conducted by others such as Williams (2004), Hutchinson *et al.*, (2002), and Taylor (2003) who expressed skepticism about the success of CDFI in promoting financial exclusion. They too concluded the review by expressing skepticism about the success of the CDFI and furthered that it appeared the government had placed unwarranted "faith in the potential economic vitality of local communities." While the conclusion might be warranted it is not surprising since the study was primarily reviewing studies that have previously conducted most of which were already skeptical of the government's efforts.

McKillop *et al.* (2007) also examined financial exclusion in the UK. However, these researchers focussed attention on the government's policies that have been designed to reach out to the financially excluded specifically the government's policies that actively encourage the development of credit unions. The authors first defined what is meant by credits unions in the UK, what they stand for, and why the government has focussed on them as a means of reaching the financially marginalized. A credit union was defined as an entity with public purpose in the sense that its reason for being is to provide basic financial services to persons with modest means. A credit union does not operate for profit and its membership is limited to individuals who share a common bond. Thus, it may provide some of its services for free or below cost.

McKillop *et al.* (2007) used publicly available data on credit unions in the UK at the end of 2001 as a baseline to determine the effectiveness of the government's efforts which started in July 1998. They noted that there were 837 credit unions in the UK in 2001. This number decreased to 779 because of trends to transfer engagement of small and weak credit unions to somewhat larger credit unions. Furthermore, the decrease in the number of credit unions seemed to be occurring during the phase-in period of the government's Financial Services and Markets Act 2000. The Act, according to the authors, included such reforms as flexibility in the common bond classification, removal of a cap of 5,000 on membership, extension to permissible loan periods, ability to borrow from other credit unions and authorized banking institutions, and permission to charge for ancillary services. Matching credit union activities to ward-level deprivation measures which served as proxy for financial exclusion to evaluate the effectiveness of the new policy in reaching out to financially excluded. The study finds that the government grants intended to stimulate development of credit unions may rather damage them by "increasing costs, and undermining peer monitoring, the self-determining peer monitoring, the self-determination of the board, and the community of self-help ethos."

The authors recommend further that policies of the government and trade associations that encourage the development of credit unions based on cross-section of the population which are affluent, are more likely to offer a viable long term model for developing credit unions instead of targeted grants. The usefulness of McKillop *et al.*'s (2007) lies in the specificity of its recommendation as a guide to policy makers.

Regardless of where it occurs financial exclusion is a social problem. Unlike previous studies of financial exclusion which traced the problem to deregulation of the financial industry (Carbo *et al.* 2007; Devlin and Wright, 1995; Harrison, 2000), attributed it to the industry's practice of segmenting the market into two markets "the upmarket and the downmarket" and focussing on the more profitable segment

(Pollard, 1996; Leyshon and Thrift, 1998), Dymski and Li (2003) analyzed the problem of financial exclusion in the USA by examining the history of urban spaces, specifically the evolution of the financial industry, especially the commercial banking sector, and the logic in the development in urban areas. By linking these two, the authors argue that there is a spatial dimension to financial exclusion since it flowed from banking strategies triggered by global deregulation of financial markets.

By analyzing the financial historical evidence on exclusion and relating financial exclusion to strategic shifts in the banking industry, Dymski and Li (2003) were able to use ideas on intra-regional flow of goods and services which are rooted in the Sraffian production model. Through this linkage the authors were able to argue that "spatial conception of financial fragility which shows that urban subareas' wealth accumulation prospects are linked to the locus of financial and goods-and-services flows within the city." Furthermore, based on insights and analyses gained from this linkage, the authors show that micro and macrostructural causes were also behind the problem of financial exclusion in the USA. In the main, the withdrawal of mainstream banks from unprofitable locations left their former customers unserved and available for fringe banks that charge high fees. Furthermore, the withdrawal of mainstream banks has a spatial dimension in that their customers were clustered disproportionately in urban subareas which often have substantial macrostructural problems.

Using the two-sector model, the authors showed that the inner-core areas from which banks withdrew could sustain their "cross-border financial balances only if the residents earned enough income from somewhere else to pay for "imported" goods and services" (Dymski and Li, 2003, p. 199). The area becomes a financially blighted area, if this is not possible, and changes from an area of accumulation to de-accumulation. Their empirical analysis of Los Angeles (LA) area has shown that the real world experienced is more nuanced. Consistent with the findings of studies on financial exclusion in other countries (Devlin, 2005; McKillop *et al.*, 2007), the authors find that financial exclusion is primarily a problem for the lower-income and minority households who are unable to access bank loans, open bank accounts and accumulate capital. Furthermore, the problem of exclusion requires a two-pronged effort, both on the macro-structural problems of economically isolated urban areas and a revision of microeconomic logic of strategic interaction and competition within the financial industry. Similar to McKillop *et al.*'s (2007) study, Dymski and Li (2003) also suggested a specific means through which policy makers could tackle the perennial problem of financial exclusion.

Also focussing on the USA, Joassart-Marcelli and Stephens (2010) argue that previous studies on financial exclusion in the USA examined the relationship between exclusion and individual characteristics such as culture, education and ability to speak English (Orozco, 2004), income, legal status (Marcelli and Lowell, 2005) with very little attention directed at geographic dimensions of banking. Thus, authors attempted to build on the literature on financial exclusion ecology and used it to investigate the spatial relationships between immigrant settlement patterns. The study focussed on the Greater Boston area in 2000. The data used in the study on immigrant groups comprised poverty rates, income, unemployment, the ability to speak English, homeownership, family type, race and ethnicity. These variables have been identified in the literature as relevant to immigrants' use of financial services (Moser and Park, 2004; Newberger *et al.* 2004).

By analyzing immigrant settlement patterns in a census tract data, the authors showed that significant geographic differences in concentration and clustering exists according to the country of origin of the immigrant. Further analysis using multivariate regression and by controlling for socio-economic factors such as ethno-racial and land use characteristics shows a more complicated picture of the problem of financial exclusion. It shows that: accessibility to financial institutions particularly bank branches including ATMs is positively correlated with proportion of immigrants and minorities in the neighborhood; as the proportion of minorities in tracts where foreign-born households live increases, access to the traditional financial institutions decreases; specific immigrant groups experience additional barriers primarily because of where they live. For example, immigrants from Dominican Republic, San Salvador, and Haitians experience higher barriers relative to Vietnamese; Immigrants in the Greater Boston area reside in Census tracts that have limited access to formal financial institutions, but with disproportionately high exposure to less formal financial institutions such as check cashers and pawnbrokers.

The question of whether policy instruments such as the Community Reinvestment Act (1977) and such other legislations as the Home Ownership Equity Protection Act (1994), and the Home Mortgage Disclosure Act (1975) have made any difference in financial exclusion has not been answered by the study because of insufficient information. However, the results of this study, in the main, suggest that race, class and immigration status overlay other factors such as neighborhood dynamics and location to determine financial access. These findings are consistent with previous studies on geographic research on financial exclusion (French *et al.* 2008; Graves 2003; Leyshon *et al.* 2008).

Unlike previous studies which examined the financial exclusion in the UK and the USA, Solo (2008) directed her attention to the problem of financial exclusion in Latin America and asserted that in spite of several studies on the topic only a few examined how financial exclusion affects economic development, and in particular the development of urban communities where it is felt most severely. In an attempt to fill this gap, the researcher investigates the predicament of the unbanked in major cities in Latin America – Bogota, Colombia, Mexico City, Mexico, and many cities in Brazil.

The study collected data from a representative sample of 1,500 households taken from census groups. Even though surveys were the primary means through which the data were collected, they were supplemented by focus group studies conducted in Mexico City. The study showed that approximately 65-85 percent of households in these countries had no access to any formal financial institution. These excluded households, in general, have lower incomes and lower educational levels than those of the general population. Furthermore, the excluded households comprised predominantly of minorities and immigrants who depended on the informal sector and often lived in informal settlements. Another striking characteristic of the unbanked in this region is that they overwhelmingly tend to be self-employed (described by the author as euphemism for informal sector worker).

In total, 65 percent of the unbanked interviewed in Colombia and 70 percent in Mexico indicated that they could not use the formal banking system because of the fees, the high required minimum balance, and or the high initial deposit. Interestingly, unlike in the USA or the UK, the majority of the unbanked owned their owned their own homes (66 percent in Colombia and 63 percent in Mexico) even though these houses may be shanties, untitled and registered and in unplanned neighborhoods. According to Solo (2008), the ownership of homes might suggest that lack of access to the formal financial institutions might be due to cost not to poverty *per se*. The author therefore surmises that financial exclusion in these parts of the world might be due mainly to psychological barriers and the prevailing feeling among the poor that they are not welcomed by the mainstream financial institutions.

Further analysis of the data collected by Solo (2008) shed light on the macroeconomic side of the problem of financial exclusion. It showed that the underdeveloped financial sector hinders accessibility of financial services at the household level which can in turn limit economic growth and poverty alleviation. The data analyses show that there are increasing costs on the poor to make payments, to save and borrow than it is on their banked fellow citizens. For example, in Mexico, cash transactions can cost up to five times more than payments by check and up to 15 times more than electronic payments. Furthermore, cash payments are also time consuming. For example, it takes three hours waiting in line to pay water bills in Mexico City whose population is 15 million. Of these 15 million, 60-80 percent do not have bank accounts and there are only two offices that receive cash payments for water bills.

The situation is not necessarily better in Colombia. Even though the commercial banks take payment for public services, such as water and electricity, from non-account holders at no charge, only one teller is assigned such responsibilities and for only a few hours per day. Solo's (2008) further insights on the macroeconomic implications of financial exclusion are consistent with those of Dymski and Li (2003). She argued, for example, that limited access to financial institutions could contribute to the fall in aggregate savings as well as cause the persistent downward slide of domestic credit in relation to GDP. She also pointed out that, the fact that public funds are used to bail out financial institutions in financial trouble suggests that the poor who do not enjoy the benefits of these institutions bear a disproportionately larger part of the burden.

On the steps taken by governments in Mexico, Colombo and Brazil to ameliorate financial exclusion, Solo (2008) observed that they are moving in the right direction. For example, the government funded and backed insurance programs which offer limited insurance to savings deposits could help reduce the reluctance and fear of using banks which exists among some of the unbanked – a major cause of self-exclusion. Similar to what the Federal government did in the USA – that is to legislate that all government employees be paid by electronic transfers, the government of Bolivia has embarked on the use of checks in paying employees. This means of payment achieves two objectives: first, it saves the government; second, it provides a means for the unbanked to be banked.

According to Solo, the government of Mexico is tackling the problem of financial exclusion by establishing 30,000 "points of service" for debit, credit and store-value cards. This project is intended to facilitate and encourage the use of debit cards and greater use of savings accounts. While the use of microfinance by NGOs continues to help some of the unbanked to get credit or capital, some commercial banks in Latin America now offer collateralized credit and "solidarity guarantees." Furthermore, the government of Colombia, similar to "banking development districts" created in the USA out of partnership between the US government and banks to serve the "underserved areas," has changed its regulations to allow banks to open branch offices and install ATMs in public buildings.

Not much has been written on financial exclusion in Germany. This absence of information might prompt the question on whether financial exclusion exists in Germany. Bresler *et al.* (2006) posed this question and offered three possible answers. First, the authors offered a simple and possibly naïve explanation. They suggested that much may not have been written on financial exclusion in Germany because Germans do not experience financial exclusion or perceive financial exclusion to be a problem. Second, the authors suggested that it is possible that financial exclusion does exist in Germany, however, the way in which financial data was collected by the government makes it difficult or impossible to define or measure it; the data collected by the government was simply not intended to answer such a question. The author's noted that even though the definition of financial exclusion has been generally limited to households with low incomes, the definition could be expanded to include small- and medium-sized enterprises (SME) as well as they too are likely to face the same problems that households with small incomes face.

Bresler *et al.* (2006) examined the history of financial institutions in Germany and observed that the German savings banks in today's market function pretty much like any other bank. They serve everyone and not only those in need. They also have public ownership structure, a regional principle, and are mandated to promote public welfare. With changes in the global financial markets, it would appear that profit maximization has become a primary objective of financial institutions including the German savings banks that are charged to promote public welfare. However, the same legislative instrument that requires the savings banks to promote public welfare also requires them to do so profitably. Is it possible that these different goals may soon be at conflict with each other?

The authors have suggested that it is possible that the public mandate coupled with strong ties between local governments and local savings banks created a community presence for the savings banks that made access to financial institutions without discrimination possible. However, this positive relationship could become unhinged in the face of increasing pressure on financial institutions to maximize profits. In the event that pressure for profit maximization becomes a reality, then there could be pressure on the government to pass new laws that protect consumers.

Amaeshi (2006) contributed to the literature on financial exclusion by focussing on factors that contribute to limiting access to mainstream banking in developing countries, specifically in Nigeria. The author reviews the literature on financial exclusion and links it to the way in which financial institutions operate in many African countries, particularly in Nigeria. He attributes the problem of financial exclusion to the following: the disproportionately high percentage of illiteracy. According to the World Bank (2004), 37 percent of Nigerians 15 years and older is illiterate. The underdeveloped nature of the banking industry and banking culture in Nigeria (citing Oyejide and Syode, 1986). A combination of ignorance and illiteracy.

Proposing a solution to the problem, the author suggests that: the mainstream financial institutions innovate and tap in the large informal economy that is thriving in Nigeria. The mainstream financial institutions adopt a culture of corporate social responsibility in which their pursuit of corporate objectives reflects the realities of the society in which they exist. In other words, they must also engage in activities that improve the human conditions in their environment. The government must provide an enabling environment that encourages the mainstream financial institutions to expand to the poor. We do not suppose that anyone would disagree with Amaeshi's suggestions, however, given the fact that illiteracy is a major part of the problem one would wish to see a recommendation that addresses how to cure that ill also.

The Ugandan experience with financial exclusion was chronicled in a report prepared at the Center for Development Studies at the University of Bath by Johnson and Nino-Zarazua (2007) with assistance from Ariti. The report noted that the factors which influence the financial services that people use include, but are not limited to education, employment, age, gender and where they reside. The authors noted that about 62 percent of the

Ugandan population is unserved by the formal financial market; 3 percent are served by the semi-formal market and 17 percent by the informal market. Being employed was found to be a key factor on being served or unserved. Education up to the secondary school level increases the likelihood of being served and so is age; those who are between 25 and 44 are more likely to be served through the formal service.

Similar to other studies on financial exclusion, regional differences were also observed. Those who reside in Kampala, the capital, the northern and western regions are more likely to access the formal financial system than those who reside in eastern and central Uganda. Those who reside in western Uganda were more likely than others to use semi-formal services. Interestingly, the study also found that ownership of TV or mobile phone increases the likelihood of using formal services, but less important than education in influencing the use of formal services. The study also found that women more than men were more likely to use Microdeposit taking Institutions and informal services especially Rotating Savings and Credit Associations.

Another dimension of the financially excluded in Africa emerged in a study conducted Osei-Assibey (2009) who examined the factors that drive the supply and demand of basic financial services in Ghana, West Africa. The author citing earlier studies by the World Bank (2008) observed that contrary to increasing in number, given the focus on rural banking, the percentage of banks that operate in rural communities in Ghana shrunk from 10.4 percent in 1992 to 9.8 percent in 1998, and to only 5.3 percent 2006. The author used rural community-based and household survey data sets collected by Ghana Statistical Service from September 2005 and September 2006 for his study. The survey was conducted countrywide, covered 396 communities in rural areas and a nationally representative sample of 8,687 households. Information covered in the survey was comprehensive and included such information as demographics, transfers, basic physical and financial assets, employment, health, education and the like.

The results of the author's analysis show that decisions by banks to locate a branch in a community place are positively influenced by market size, the level of infrastructure including energy and communication facilities, and market attractiveness. They are negatively influenced by such factors as crime, conflicts, and natural disasters. The results show furthermore that household demand for bank services are driven by both market and non-market factors such as price, illiteracy, ethno-religion, dependency ratio, employment, wealth status as well as proximity to a bank, and that financial exclusion is both a problem of "sub-optimal constraints in demand and in supply."

On the basis of the above results, the author recommends that the monetary authorities in Ghana among other things encourage branchless banking because of its low cost. The financial institutions must also be encouraged to forge a closer link with communities and extensive financial educational programs must be implemented. Even though these recommendations are made for Ghana market, evidence from other developing countries suggests that the same recommendations may be helpful to them as well.

Pal and Pal (2012) examined income-related inequality in financial inclusion in India. The authors applied the concepts of concentration curves and concentration index in the context of financial inclusion and econometric analysis using a representative household-level survey data set which was linked to state-level factors

The authors' analysis produced interesting results which indicate that: financial exclusion is a severe problem for households across all income groups in India even though financial exclusion is disproportionately higher among the relatively poor households compared to households of higher incomes. Income-related inequality in financial inclusion varies significantly across sub-national regions, nonetheless about one half of the urban households are financially excluded. There is evidence that credit policies specifically directed at the rural sector has been effective in promoting financial inclusion among rural households compared to urban households. The authors also noted that income-related inequality in financial inclusion is not synonymous to income inequality. What is not clearly articulate in this otherwise interesting and insightful study is the most effective/efficient means through the government should tackle the problem of financial exclusion in the entire country (India).

A detailed analysis of the effect of financial deregulation in Australia, though much debated and discussed in the press, has not been undertaken, thus leaving a policy impact vacuum. Argent and Rolley (2000) sought to fill this vacuum by studying the provision of financial services in rural Australia since deregulation of the industry. The authors asserted that Australia has been in a phase of ceaseless deregulation of its financial institutions since 1983. At that time, quantitative regulatory approach to the way financial institutions operated was applied. This approach entailed such policies as prevention of direct competition between the institutions on the price of services. Competition on the level and degree of services offered by the financial institutions was also gradually replaced by a market approach that emphasized competition on the price of services. The question left unaddressed is whether the new approach is a better public policy?

The authors sought to answer this question by collecting data from telephone directories for New South Wales, non-metropolitan bank listings for the period of 1981 through 1998. These listings were recategorized into three groups of rural, remote and metropolitan areas. The reclassification reveals spatial realignment of financial service provision in which rural and remote parts of New South Wales have been disproportionately affected by "recent and concerted withdrawal of services." It also revealed that the long standing bank classification method of "metropolitan/ non-metropolitan" used by study by the Reserve Bank of Australia was imprecise and concealed the real spatial impact of the deregulation of the financial markets. Furthermore, the study showed that "corporate-level responses to increased competition within the financial system are significantly more important in deciding rural access to banking services than local and regional population trends." The authors noted branch banks were being closed in the rural areas even as the population in the rural areas was increasing. Thus, the deregulation of the financial institutions has prepared the way for financial exclusion in Australia.

Conclusion

Financial exclusion is a global problem that has been studied by scholars from different academic fields. We have in this paper attempted to provide a review of the literature on financial exclusion that is broad in scope and covers studies that have been conducted in different disciplines and around the globe. Even though, at least, two journals in marketing are devoted to issues related to banks and financial institutions, we are struck by the dearth of studies on financial exclusion in marketing. This could be symptomatic of bigger problem than it appears give the fact that marketing scholars should be in the forefront in studying people who are excluded from the mainstream financial markets so that they could design innovative approaches for banks to serve the unbanked too. We hope marketing scholars, particularly those who are concerned about social and public policies are too late in accepting the diverse aspects of the problem of financial exclusion as one of their legitimate areas of inquiry.

It is interesting to note that in spite of several studies that have been conducted on the problem of financial exclusion, only a precious few (see Solo, 2008; Koku, 2009) sought the views of the unbanked themselves when it came to what would work in getting them access to mainstream financial institutions. In my view, more of this "bottom up" up approach is needed in the drive to design innovative approaches that would truly speak to their needs and their predicament.

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Corresponding author

Professor Paul Sergius Koku can be contacted at: koku@fau.edu