Author(s): Kamran, Sohail; Uusitalo, Outi

Title: How the unbanked cope with financial exclusion: Evidence from Pakistan

Year: 2016

Version:

Please cite the original version:

Kamran, S., & Uusitalo, O. (2016). How the unbanked cope with financial exclusion: Evidence from Pakistan. Journal of Financial Services Marketing, 21(2), 153-165. https://doi.org/10.1057/fsm.2016.6

How the unbanked cope with financial exclusion: Evidence from Pakistan

Abstract

This paper investigates both the coping strategies employed by low-income unbanked consumers in Pakistan and the consequences of those strategies. Qualitative data were gathered from low-income unbanked consumers through in-depth interviews. The findings suggest that unbanked consumers utilize their respective social networks and various market and personal resources to cope with financial exclusion. The utilization of social network resources to cope with financial exclusion typically enabled participants to fulfill their obligations in a positive manner and enhanced solidarity and trust among group members, whereas the use of market and personal resources tended to produce more negative consequences in the form of different types of risk. The paper provides managerial implications for developing services that enhance the well-being of unbanked consumers.

Keywords: Consumer coping, financial exclusion, developing country, Pakistan, low-income, well-being

INTRODUCTION

Financial exclusion, whereby the poor are excluded from mainstream financial services, is a universal issue that creates socio-economic inequality (Affleck and Mellor, 2006). Globally, over 2.5 billion adults are unbanked, with the majority living in developing countries (Demirgüç-Kunt and Klapper, 2012). Unbanked individuals are generally considered disadvantaged relative to mainstream consumers in the marketplace. Many consumers who are disadvantaged in this manner (i.e., low-income consumers) have developed skills to exploit their environment to achieve some degree of control over their lives (Hill and Stephens, 1997; Hill, 2002). Financial exclusion can be stressful for consumers, and previous research in the developed world highlights several negative consequences for unbanked consumers (e.g., Kempson and Whyley, 1998; Collard and Kempson, 2005). However, research in consumer coping contexts, such as poverty, indicates that consumers who cope with stressful situations may enjoy positive results, at least in some cases (Hamilton and Catterall, 2008).

Unbanked individuals are compelled to cope with their financial exclusion to manage routine financial matters. There are few studies on consumer coping that focus on the methods that consumers use to manage negative market-related experiences (Yi and Baumgartner, 2004; Duhachek, 2005). Thus, there remains the potential for theoretical contributions at the juncture between consumer behavior and coping strategies (Duhachek, 2005). Furthermore, researchers have focused primarily on coping strategies and have neglected to explore the consequences of such strategies. Understanding these consequences might provide important insights into improving the well-being of the financially vulnerable (Hamilton and Catterall, 2008).

This study explores the various coping strategies employed by unbanked, low-income consumers who are at a high risk of financial exclusion (Kempson and Whyley, 1999) and the consequences of those strategies for the consumers who employ them. The empirical data were collected in Pakistan, where approximately 85% of the population is unbanked (Ahmad, 2014). Individuals in developing countries who earn less than US$ 4000/400000 Pak Rupees annually are categorized as low-income by the World Bank (Ahmad, 2013), and a significant portion of Pakistan’s population belongs to this low-income category. This study contributes to the field of financial exclusion by examining the negative market experiences of consumers in the context of a developing country in which consumer concerns are rarely debated.

THEORETICAL BACKGROUND

Vulnerable consumers and their coping strategies

Smith and Cooper-Martin (1997, p. 4) define vulnerable consumers as 'those who are more susceptible to economic, physical, or psychological harm in, or as a result of, economic transactions because of characteristics that limit their ability to maximize their utility and well-being'. These consumers are thus prone to experience marketplace vulnerability. Vulnerability is the tendency to experience various forms of detriment

(Ståsett, 2007). The previous literature suggests that certain consumer groups are more likely to experience vulnerability due to personal characteristics (e.g., low income and illiteracy) (Burden, 1998) and thus require additional support in the marketplace (Brennan, 2006). In addition to individual characteristics, vulnerability can result from the environment in which people live (Baker *et al*, 2005) and from barriers that prevent people from participating in society (Baker *et al*, 2005).

The financial exclusion literature demonstrates that both internal and external factors can trigger financial exclusion (Kempson and Whyley, 1999; Kempson, 2006). Internal factors leading to financial exclusion include poverty and illiteracy (Kempson and Whyley, 1999), whereas external factors include environmental and structural issues, such as difficulties related to physical access (Panigyrakis *et al*, 2002; Kempson, 2006). Moreover, financial institutions' biases against the poor can lead to the financial exclusion of low-income groups (Matin *et al*, 2002). Stigmatization, repression and discrimination all contribute to consumer vulnerability (Hill, 1995; Penaloza, 1995).

Consumers who are disadvantaged in the marketplace employ various coping strategies to address such disadvantages (Baker, *et al*, 2005), and coping mechanisms may vary by individual (Duhachek and Iacobucci, 2005; Hamilton and Catterall, 2008). Coping strategies can be categorized as emotional or behavioral (Hill and Stephens, 1997). Emotional coping strategies include distancing, fantasizing, and other attempts to regulate emotions (Baker, *et al*, 2005; Hill and Stephens, 1997), whereas behavioral coping strategies include controlling potentially harmful behaviors, eliminating reminders of a negative experience, seeking social support, and using deception (Baker *et al*, 2005). Research suggests that people use both emotional and behavioral coping strategies to manage stressful situations (Hill and Stephens,1997).

Consumers coping with financial exclusion

Vulnerable consumers frequently use their social networks to escape difficult circumstances (Wang and Tian, 2014). An individual's social network includes his or her family, peers and social contacts. Social capital developed in a social network improves members' well-being in different ways (Berkman *et al*, 2000), and individuals with access to diverse social networks are better able to tackle poverty and vulnerability (Narayan, 1995; Moser, 1996). In many developing countries, people frequently access informal finance through social networks. Informal finance refers to financial activities that are conducted outside the conventional financial sector and is typically unregulated (Schreiner, 2001). Rotating savings and credit associations (ROSCAs) represent a common type of informal finance that helps people to save money in many developing countries (Bouman, 1995). Through ROSCAs, a group of trusted individuals deposit an agreed-upon amount into a fund at regular intervals. ROSCA members conduct meetings at regular intervals, and the entire collected fund is given to a group member based on a random drawing or negotiation held at each meeting. This process continues until each member has recouped the sum of money that he or she personally deposited in the ROSCA (Aliber, 2001; Basu, 2011).

It is well-documented that unbanked individuals utilize different market resources to cope with financial exclusion. Kempson and Whyley (1999) note that financially excluded individuals lack access to short-term credit and frequently use high-cost moneylenders. For instance, in Ireland, people who borrow from private lending firms pay approximately 20% of their weekly income toward loan repayment. Low-income groups utilize these types of moneylenders because they are denied service by conventional financial service providers (Byrne *et al*, 2007). However, the high interest rates charged by private lenders increase borrowers' economic stress. Other unbanked individuals and households may obtain credit at extremely high interest rates from illegal moneylenders (Herbert and Hopwood-Road, 2006).

Mobile financial services allow banks to effectively conduct transactions with customers (Kleijnen *et al*, 2004). In developing countries with low levels of financial inclusion, the combination of mobile money services and banks provide unbanked individuals with the market resources necessary to access financial services (Morawczynski, 2009; Oluwatayo, 2013). These services have been available since 2005 (Rice, 2007) and offer subsistence consumers the opportunity to increase their level of financial inclusion and to cope with the inefficiencies of conventional financial service providers (Flood *et al*, 2013). For instance, many Kenyans transfer money to their families in villages through SMS-based money transfer services, which helps them maintain relationships with their families and social contacts. This service offers safe, convenient (Morawczynski, 2009) and inexpensive money transfer options (Singh and Shelly, 2010).

Previous research in developed countries has revealed negative consequences for unbanked individuals who try to address financial exclusion with personal skills and resources (Kempson *et al*, 2005; Collard and Kempson, 2005; Kempson and Whyley, 1999). For example, people who maintain cash savings in their homes are vulnerable to robbery (Kempson and Whyley, 1999) and do not earn interest on their savings (Kempson *et al*, 2005). Unbanked individuals typically must rely on cash transactions, and in this way, financial exclusion can adversely affect self-esteem. Specifically, paying with cash can raise suspicions that the money is stolen, which may cause feelings of humiliation and decreased self-esteem for unbanked individuals (Collard and Kempson, 2005).

Although the previous literature has addressed several methods by which consumers cope with financial exclusion, a greater understanding is required regarding the consequences of these strategies in terms of the well-being of people in developing countries. In this study, empirical data from Pakistan are used to analyze the coping strategies employed by low-income unbanked consumers, the reasons why they use such strategies, and the consequences of those coping strategies for the consumers who use them.

METHODOLOGY

We employed qualitative interview techniques to gather data from low-income unbanked individuals regarding their coping strategies. This method allowed us to focus on consumers' own views of and experiences with (Miles and Huberman, 1994) financial exclusion. We recruited 28 informants from four lower-class neighborhoods in the twin cities of Rawalpindi and Islamabad, Pakistan. The neighborhoods were characterized by substandard or small houses, narrow streets, low literacy rates and the employment of inhabitants in different low-income professions. We used a purposeful sampling approach involving the recruitment of informants who could offer rich information about the conditions of an individual living without a basic bank account. Four informants who had strong social connections in their respective neighborhoods and were informed of the desired characteristics of study participants helped us to recruit informants from their respective areas. The study participants included 10 female and 18 male informants who were involved in various low-income professions. Eight participants were local residents of Rawalpindi and Islamabad, and 20 informants were migrant workers (MWs) who moved to the cities, either alone or with family, from different villages of Pakistan for the sole purpose of working. Participants' monthly incomes ranged from 7000 to 20000 Pakistani rupees (see Table 1).

Place Table 1 here

The interviews were conducted in homes or other locations convenient for the participants, including small restaurants and shops during quieter hours. Although all informants volunteered to take part in this study, they were offered certain pecuniary incentives for their participation (rupees 300/US$3). We followed the University's ethical guidelines in our dealings with informants. Informants were given an information sheet and consent form prior to the interviews. Given the lack of or low literacy skills of the informants, the information sheet and consent form were also explained orally before the beginning of each interview session to ensure that the informants understood the study objectives. All informants were assured confidentiality and anonymity.

The semi-structured interviews focused on coping strategies employed by consumers for money transfers, savings funds and short-term credit. The wording and order of questions were adapted to the situations and characteristics of study participants. A nondirective questioning technique was used to encourage informants to discuss problems in detail (Elliott and Jankel-Elliott, 2003). The interview topics included the reasons and consequences of financial exclusion; the courses of action taken with respect to money transfers, savings and short-term credit; and the consequences of such courses of action. Twenty-five interviews were conducted in Urdu, and three were conducted in Punjabi. The first author, who is fluent in both languages, conducted all interviews. Prior permission was secured from all informants to create an audio record of the interviews. The interviews were conducted until the theoretical saturation point was reached, i.e., until no new information was provided by the participants (Flick, 1998). More than 15 hours of audio-recorded interviews were transcribed, which produced 474 handwritten A4-sized pages. The length of the interviews ranged from 22 minutes to just over an hour.

We employed a hermeneutic part-to-whole approach to qualitative data interpretation (Thompson *et al*, 1994) allowing categories and themes to emerge, develop, and expand (Thompson, 1997). The interpretation of data proceeds by moving back and forth between the data and the literature review to identify major patterns in the data (Saatcioglu and Corus, 2014). Initially, in this study, individual interview transcripts were read, coded and interpreted. Then, individual interviews were compared to each other to identify common patterns in the data (Thompson *et al,* 1989).

FINDINGS

Unbanked participants expressed the need to save money, transfer money and access short-term loans in a secure manner, which in the absence of a bank account was not always possible. Consequently, they adopted different feasible mechanisms to fulfill their basic banking needs. For example, participants relied on different informal sources to manage their day-to-day finances, which often left them vulnerable and prone to different types of harm (Ståsett, 2007). Many participants had encountered personal, social and economic risks and disadvantages in their efforts to cope with financial exclusion. Vulnerability and hindrances were commonly experienced by participants, who expressed the belief that a bank account could help them avoid the harms caused by financial exclusion.

The informants utilized social networks, market resources and personal resources to cope with financial exclusion. The specific resources employed depended on their availability and their suitability for particular circumstances. The data revealed that the use of these resources often led to consequences, which may be labelled obligations, solidarity, trust and risks. Coping with financial exclusion using social network resources enabled participants to fulfill their obligations in a positive manner, promoted solidarity and trust, and reduced the risk of detriment. A lack of social network resources led participants to utilize different market and personal resources to satisfy their basic financial needs, which in turn frequently led to their exposure to various risks.

Social networks

Social network resources originating from the families and social contacts of participants were utilized for savings, money transfers and short-term credit. Social networks aided in the effective fulfillment of participants' obligations, such as the moral and social obligation to transfer money to financially support participants' families.

Participating in committee saving schemes and obtaining short-term credit from social network members assisted participants in satisfying various obligations, including raising money for girls' marriage and dowry items, paying off loans, participating in social events and home building or renovation. First, transferring money through trusted social contacts was considered a safe and convenient option and was cost-free. Second, participants preferred to obtain interest-free loans from members of their social networks because such loans did not cause distress, loan repayment seemed flexible, and there were no financial penalties for late payments, unlike loans from informal lenders. However, although the social contacts of locals helped them to acquire a short-term loan in the desired amount, migrant workers typically failed to acquire significant loans from social contacts. In particular, loans from other migrant workers and people living in their respective villages often failed to satisfy migrant workers' financial needs. Consequently, these individuals obtained loans with interest from informal moneylenders, which increased their vulnerability. Third, unlike local residents, several migrant workers who reported a lack of financial self-discipline deposited their savings with trusted individuals who were also unbanked. This strategy allowed these workers to save money and to demand it when needed. Finally, the majority of participants saved money through committees, which are a type of ROSCA (Aliber, 2001; Basu, 2011). Committee members are guaranteed to receive their deposited money back from the organizer and fulfill their social needs. Moreover, committee money is an interest free loan for those who receive it in turn. Certain participants felt a sense of achievement because they were able to fulfill their diverse obligations through a committee. Participants who lacked the self-discipline (Aliber, 2001) to save money regarded the committee as a particularly helpful platform because they may not have been able to save money without it.

> *In this way, we can save money. We can use this money in times of need; otherwise, we cannot save (Bano, 36).*

Apart from obligation, solidarity was an important consequence of the use of social networks. Participants who transferred money through their social contacts felt a sense of reciprocal cooperation and trust.

> *There are four to five boys from our village working here. If anyone must go to the village, then we give them the money to deliver to our home; otherwise we do not...There is no fear in my mind—they all are good boys—if we go and take their things or they go and take our things (Niaz, 26).*

Committee members shared common goals, such as saving money to fulfill diverse consumption needs. Solidarity is inherent in the committee principles. For example, if a member cannot pay the committee installment due to an economic problem, the organizers allow that member to deposit the missing installment through a future committee installment. This makes it easier for members to participate in committees. The committee organizer determines the sequence of payouts to members through a random drawing. However, participants reported that in cases of urgent economic need, they received committee money before their designated turns by appealing to other members. Committee members who were slated to obtain money in the initial rounds exchanged their turns with group members who were scheduled to receive money last—a form of cooperation among the members. Those who received money in the initial rounds obtained interest-free loans that were repaid to the committee in scheduled installments.

> *It is a great advantage... now I have a committee, and other members know that I have to pay off my loan. Almost everyone knows that I have to pay money to someone. I told this to those people [committee members]. They said that it was OK for me to take the first [round of] committee money (Shan, 26).*

Trust was a crucial element of coping and appeared to be both an antecedent and a consequence of coping with the help of social networks. Many participants reported sending money to their families through their trusted social connections, which they considered an economical, safe and convenient option because the money was delivered directly to their home and because there were no money transfer costs. However, this option was only available to participants when their social contacts were traveling to their respective villages.

> *The most convenient option is to send money through any of your relatives, friends or neighbors...There is no fear of sending money through friends, relatives or neighbors because we know where their homes, their brothers and their fathers are (Pola, 29).*

Participants who participated in committees reported no apprehension regarding the safety of their money. Committee members belonged to the same neighborhoods and trusted each other, believing that committee organizers would return their money as agreed. Several participants reported depositing small savings funds with trusted individuals, who did not necessarily have bank accounts. This strategy was used by individuals who lacked the self-discipline to save money.

Trust plays a vital role in the use of different social network resources to cope with financial exclusion. Participants reported obtaining interest free loans from their informal employers, relatives and friends. In contrast, Wang and Tian (2014) reported that in China, with the exception of family members, social network members charged various interest rates to borrowers. In our study, many participants expressed disapproval of giving and obtaining loans with interest, due to their Islamic belief system, which prohibits interest, particularly within social networks. The following quote describes the importance of trust among social network members to avoid vulnerability.

> *When I had to marry off my daughter, I took out a loan of 25,000 rupees...from my relatives living in Sargodha...I saved money from my tailoring income, and I repaid their loan...They knew that I would return the money as soon as I had it (Babli, 46).*

The utilization of social network resources occasionally entailed financial and social risks. Although no incidents of fraud were reported by informants, several informants who deposited their savings with trusted individuals feared that the individual holding their money might steal it. This concern is elucidated in the following interview excerpt.

> *I have a friend living here. If I have some money, then I give it to him to save. I tell him that I may spend it...I have trust in him, but I am also afraid that he may spend my money...If I keep the money with me, then the money is spent...When I have the money, I want to buy something (Nomi, 21).*

Financial and social risks were prevalent among loans obtained from social contacts. Loans from employers were repaid through future salary deductions, which resulted in less take-home income in subsequent months. Although the acquisition of loans from social contacts and their subsequent repayment were mainly described as smooth, several participants reported instances in which the acquisition of a loan from a social contact resulted in damage to the relationship, which exemplifies the social risk.

Market resources

In the absence of social network resources, participants used various forms of market resources to transfer money and access short-term credit. These resources included both formal (i.e., SMS money transfers) and informal (i.e., money transfers through drivers) market mechanisms. The analysis revealed that obligation and risk were common consequences of the use of these resources.

Notably, local residents reported infrequent use of market resources, whereas the majority of migrant worker participants had utilized market resources including drivers' services and SMS money transfer facilities. Moreover, only migrant workers reported obtaining loans from informal lenders. They also described experiencing various types of disadvantages.

The majority of participants were obligated to transfer money to their families in villages or to other destinations. Although they preferred to transfer money through their social contacts, this option was not always available. Consequently, participants employed inter-city bus drivers for money transfers, paying small amounts of money to the drivers for this service. Sending money through drivers was generally regarded positively because the cost was lower than that for SMS money transfers. SMS-based money transfer facilities were used when social network resources were not available or the need to transfer money was urgent. In these cases, the money reached the recipient quickly, safely and easily (Morawczynski, 2009) and only the receiver and sender knew about the transfer, which reduced the risk of robbery.

Participants who had access to social support addressed their difficulties more effectively than those who lacked this resource. Participants who obtained loans from informal lenders were unable to raise the desired amount from their social networks. The following excerpt highlights consumers' inability to cope with the vulnerabilities that stem from financial exclusion due to external factors, e.g., a lack of social support.

> *I asked for loans from some people. They said we do not have any money. They make excuses. They avoid us. No one gives us loans. That is why we must bear this loss. We pay back more money. When we do not pay them the money, then they come to our home. They insult us...They yell at us in front of our neighbors (Rema, 23).*

Personal, financial and social risks were obvious and abundant when participants utilized market resources to cope with financial exclusion. Some of the participants who transferred money to their respective villages through drivers expressed apprehension about theft. Furthermore, transferring money by road can take a long time.

> *When the driver arrives, he calls my family and they go to collect the money...I am afraid that the money can be robbed or stolen this way (Papu, 26).*

Despite the benefits of SMS money transfer facilities, participants preferred not to use this formal market resource because of the higher cost relative to informal resources, such as social networks and drivers. One participant explained the desire to avoid negative consequences as follows:

> *This is expensive but we are helpless...If I do the same through the bank, then the maximum I may have to pay is 100 Rupees, and that money could be used to buy good fruit or something else for my kids (Jani, 43)*

Participants who acquired loans from informal lenders had to pay higher interest rates, and several of them reported intimidation in cases of non-payment or delays in payment. The lenders would add a fine to the installment amount if the installment was not paid by the due date. Participants who obtained larger loans had pledged their relatives' valuables, such as gold jewelry, and in the event of non-payment, the pledged item (which typically exceeded the value of the loan) was confiscated by the lender. The acquisition of loans from informal lenders resulted in intimidation, distress, threats of property confiscation, insults and public humiliation in cases of non-payment or delayed payment.

> *The last installment was late. Then, they came but I did not have the money. I did not know the address of the factory where my husband works...They were saying that we don't know, you give us the money. They started to insult me...This fear remains in my mind that if we can't pay then they will come and insult us (Nelo, 25).*

Personal resources

Participants also utilized their personal efforts, skills or resources to cope with financial exclusion. The data indicate that the use of personal resources is linked to obligations and risks. Coping strategies that employed personal resources included making personal visits to villages to transfer money and keeping savings at home. Both locals and migrant workers reported keeping a portion of their savings in their homes for emergency use, but only male migrants had personally delivered money to their villages.

Visiting villages to deliver money allowed participants to meet with their families and avoid money transfer costs. Keeping money at home helped participants to fulfill their moral obligations and offered them a sense of security. They were able to help and protect family members and to use that money in emergencies, such as medical crises.

Most participants worked informally and were only paid for days worked. Making personal visits to villages to deliver money could cause loss of income and entail travel fares, creating financial risk. The data also revealed other risks related to the use of personal resources. For instance, keeping one's savings at home led to a fear of robbery and the temptation to spend the money on unnecessary items. A social risk also arose, when members of their social network would ask for a loan. In collectivistic cultures such as Pakistan, providing assistance to other group members is a social norm. A person's reputation within the group and in other relationships may be jeopardized if he / she does not act according to social norms (Ahuvia, 2002). Moreover, although one cannot refuse to lend money to a close relative, a loan between relatives can damage the relationship if the loan is not repaid on time.

> *If you keep the money at home, then there is a risk that it could be stolen or otherwise spent, or someone will come to borrow from you. A relative may come for a loan. Then, they do not repay the loan in a lump sum but in small installments. Then, there will be resentment (Sher, 64).*

Although most coping strategies employed by participants can be described as behavioral, participants' stories also revealed the use of emotional coping strategies, such as fantasies that improvements in their financial situations would enable them to open bank accounts or hope that God would improve their financial situations and thereby enable them to open bank accounts. A general sentiment expressed by the informants is captured in the following statement:

> *Insha Allah [God willing], Allah will give us money and then we will open a bank account (Babli, 46).*

Financial exclusion among the participants has both internal (e.g., poverty) and external (e.g., institutional barriers to banking) dimensions. Participants who simultaneously rely on both emotional and behavioral coping strategies believe that their economic circumstances are the fundamental cause of their financial exclusion and the disadvantages that they suffer. Emotional strategies include distancing, fantasy and other attempts to regulate emotions (Baker *et al,* 2005; Hill and Stephens, 1997). However, emotional coping strategies do not dissipate participants' emotional stress (Lazarus, 1991) because they may suffer disadvantages due to financial exclusion during their coping efforts.

DISCUSSION AND IMPLICATIONS

This study explored the coping strategies employed by unbanked consumers and the consequences of those strategies in the Pakistani context. Although unbanked individuals might be considered disadvantaged compared with mainstream consumers, they may nonetheless be able to exert some degree of control over their lives (Hill and Stephens, 1997; Hill, 2002). Poor consumers do not want to be considered victims; rather, they want to play an active role in coping with consumption constraints (Hamilton, 2009).

In the Pakistani culture, family members who earn money are expected to fulfill various moral and social obligations, such as financially supporting their families, providing financial aid to marry off a daughter or sister, taking care of home maintenance and participating in social events. Transferring money to families, saving money and accessing short-term credit can be considered mechanisms for fulfilling these obligations. Unbanked participants tried to cope with their financial exclusion by utilizing a range of strategies, which were employed based on their suitability to the situation and the available resources. The coping strategies employed and the resources used to cope with financial exclusion had both favorable and unfavorable consequences.

Utilizing social networks to cope with financial exclusion appeared to be the preferred mode of coping. One behavioral coping strategy is to seek social support to address vulnerability (Baker *et al*, 2005). Those with access to social support usually coped effectively with financial exclusion. The results show how social support allowed local people to avoid the use of market and personal resources, which usually helped them to avoid the vulnerability and risks associated with financial exclusion. However, migrant workers who lacked such social support frequently utilized market and personal resources to cope with financial exclusion, which often yielded negative consequences, such as vulnerability and various forms of risk. The utilization of social network resources enabled participants to acquire interest-free loans, participate in committee saving programs, and transfer money at no cost through their social contacts. Individuals with access to diverse social networks were in a better position to tackle poverty and vulnerability (Narayan, 1995; Moser, 1996), and participants' access to social networks mitigated the adverse consequences of financial exclusion. The benefits of utilizing social networks to cope with financial exclusion can be enumerated as follows: positive fulfillment of financial obligations, solidarity, reciprocal cooperation, trust, and avoidance of adverse consequences that might result from the use of market and personal resources. Although utilization of social networks rarely caused disadvantages, it occasionally created financial and social risks.

Using market resources to cope with financial exclusion frequently led to vulnerability, which was manifested through personal, social and financial risks. For instance, SMS money transfer services provide benefits to unbanked customers but are costly and entail economic detriment to low-income consumers. Conversely, obtaining short-term loans from informal moneylenders leads to exploitation and other negative consequences.

The use of personal resources, such as keeping one's savings at home and personally delivering money, caused adverse consequences in the form of personal, social and financial risks.

Participants were unbanked due both to their internal conditions (i.e., poverty and illiteracy) and to external factors (e.g., geographical barriers and documentation requirements for opening a bank account). The interplay of internal and external factors often leads to financial exclusion of low-income individuals. Because vulnerability is not necessarily a permanent disadvantage (Baker *et al,* 2005), public policy could potentially allow low-income consumers to exert some degree of control over their everyday financial matters. Influencing or improving both external and internal factors could help to mitigate vulnerability. Financial inclusion of the unbanked is a responsibility of regulatory bodies and banks, which must act to help the low-income population to escape from their vulnerable circumstances in the context of financial services. Therefore, we propose the following policy enhancements to facilitate financial inclusion.

The data for this study were gathered in 2014, when banks in Pakistan enforced a strict documentation requirement for opening bank accounts. Recently, as instructed by the banking regulator, banks have offered an Aasan account to low-income consumers, which can be opened by presenting an identity card and completing a form. This may facilitate the financial inclusion of low-income consumers. However, the Pakistani regulator and banks must implement more proactive policies to make financial services available to the poor segments of society. First, the majority of the Pakistani population resides in villages and encounters geographical barriers to banking. Therefore, access to banking services should be ensured by, for example, opening more branches in geographically remote areas. Second, a majority of the study participants regarded the high cost of SMS money transfers as a barrier and thus opted for informal methods of money transfer. To meet the needs of the low-income groups to whom these services are targeted, money transfer fees should be reduced.

Internal factors that are key to improving financial inclusion and mitigating the vulnerability of low-income individuals relate to education and awareness. None of the participants saved money using mobile money services. However, the use of these services could potentially decrease their anxieties. Therefore, mobile service providers could promote their services and educate people about the potential for such services to improve the well-being of low-income consumers. Only 5% of Pakistanis use mobile money services, despite 90% of the poor and rural population having access to mobile phones (Kironget, 2014). Given that only 2% of the poor in Pakistan have access to microfinancing services (Kironget, 2014), formal micro-finance institutions in both banks and NGOs might expand their services to new localities. Furthermore, such institutions could educate low-income consumers both about their products and about the negative consequences of obtaining loans from informal moneylenders.

This study was conducted in a collectivistic cultural context. Replicating the study in an individualistic cultural context may yield different insights about the roles of social, market, and personal resources. Moreover, this research focused on low-income consumers. Future studies should examine how people living below the poverty line cope with financial exclusion.

This study contributes to the field of financial exclusion by focusing on the perspective of low-income people in the developing country context and highlighting the consequences of coping strategies that essentially influence their well-being. While previous research on consumer coping with financial exclusion indicates that consumers rely on social networks and community resources (e.g. Wang and Tian, 2014) this study illustrates that social network resources are used in various ways that are related to cultural values and conventions. This study also shows that in the absence of social network resources, unbanked consumers rely on personal and market resources, which results in consequences varying from positive reinforcement to experiences of adversity and exploitation.

References

Affleck, A. and Mellor, M. (2006) Community development finance: a neo-market solution to social exclusion?. *Journal of social policy 35*(02): 303-319.

Ahmad, M. (2013) Middle Class Shrinking Rapidly. The News, 21 September, http://www.thenews.com.pk/Todays-News-3-203314-Middle-class-shrinking-rapidly, accessed 24 December 2014.

Ahmad, M. (2014) Financial Exclusion a New Kind of Apartheid. The News, 28 August, http://www.thenews.com.pk/Todays-News-3-269454-Financial-exclusion-a-new-kind-of-apartheid, accessed 22 December 2014.

Ahuvia, A. C. (2002) Individualism/collectivism and cultures of happiness: A theoretical conjecture on the relationship between consumption, culture and subjective well-being at the national level. *Journal of Happiness Studies 3*(1): 23-36.

Aliber, M. (2001) Rotating Savings and Credit Associations and the Pursuit of Self-Discipline: A Case Study in South Africa. *African Review of Money Finance and Banking* 51-73.

Baker, S. M., Gentry, J. W. and Rittenburg, T. L. (2005) Building understanding of the domain of consumer vulnerability. *Journal of Macromarketing 25*(2): 128-139.

Basu, K. (2011) Hyperbolic Discounting and the Sustainability of Rotational Savings Arrangements. *American Economic Journal: Microeconomics* 3 (4): 143-71.

Berkman, L. F., Glass, T., Brissette, I. and Seeman, T. E. (2000) From social integration to health: Durkheim in the new millennium. *Social science and medicine 51*(6): 843-857.

Bouman, F. J. A. (1995) Rosca: On the Origin of the Species [Rosca: sur l'Origine du Phenomène]. *Savings and Development* 19 (2): 117-48.

Brennan, C. (2006) Empowering Vulnerable Consumers in the KBE: Taking Forward Policy, Knowledge and a New Alliance for Consumer Education. Paper presented at the Institute for Advanced Studies Workshop: Consumers and the Knowledge Based Economy, Lancaster University, Lancaster, UK.

Byrne, N., McCarthy, O. and Ward, M. (2007) Money-lending and financial exclusion. *Public Money and Management 27*(1): 45-52.

Burden, R. (1998) Vulnerable Consumer Groups: Quantification and Analysis. London, UK: Office of Fair Trade. Research Paper no. 15.

Collard, S. and Kempson, E. (2005) Affordable Credit: The Way Forward. York, UK: Joseph Rowntree Foundation.

Demirgüç-Kunt, A. and Klapper, L. F. (2012) Measuring financial inclusion: The global findex database. World Bank Policy Research Working Paper, (6025).

Duhachek, A. (2005) Coping: A Multidimensional, Hierarchical Framework of Responses to Stressful Consumption Episodes. *Journal of Consumer Research* 32 (1): 41-53.

Duhachek, A. and Iacobucci, D. (2005) Consumer Personality and Coping: Testing Rival Theories of Process. *Journal of Consumer Psychology* 15 (1): 52-63.

Elliott, R. and Jankel-Elliott, N. (2003) Using Ethnography in Strategic Consumer Research. *Qualitative Market Research: An International Journal* 6 (4): 215-23.

Flick, U. (1998) *An Introduction to Qualitative Research*. London: Sage.

Flood, D., West,T. and Wheadon, D. (2013) Trends in Mobile Payments in Developing and Advanced Economies. *RBA Bulletin*, March, 71-80.

Hamilton, K. (2009) Low-Income Families: Experiences and Responses to Consumer Exclusion. *International Journal of Sociology and Social Policy* 29 (9/10): 543-57.

Hamilton, K. and Catterall, M. (2008) I Can Do It! Consumer Coping and Poverty. *Advances in Consumer Research* 35, 551-6.

Herbert, T. and Hopwood-Road, F. (2006) Banking Benefits: CAB Evidence on Payment of Benefits into Bank Accounts. London, UK: Citizens Advice.

Hill, R. P. (1995) Researching sensitive topics in marketing: the special case of vulnerable populations. *Journal of Public Policy & Marketing* 14 (1):143-148.

Hill, R.P. (2002) Consumer Culture and the Culture of Poverty: Implications for Marketing theory and Practice. *Marketing Theory* 2 (3): 273-93.

Hill, R. P. and Stephens, D. L. (1997) Impoverished consumers and consumer behavior: The case of AFDC mothers. *Journal of Macromarketing 17*(2): 32-48.

Kleijnen, M., Wetzels, M. and De Ruyter, K. (2004) Consumer acceptance of wireless finance. *Journal of Financial Services Marketing* 8(3): 206-217.

Kempson, E. (2006) Policy Level Response to Financial Exclusion in Developed Economies: Lessons for Developing Countries. Bristol, UK: The Personal Finance Research Centre. University of Bristol.

Kempson, E. and Whyley, C. (1998) Access to Current Accounts. London, UK : British Bankers Association.

Kempson, E. and Whyley, C. (1999) Kept Out or Opted Out? Understanding and Combating Financial Exclusion. Bristol, UK: Policy Press.

Kempson, E., McKay, S. and Collard, S. (2005) Incentives to Save: Encouraging Saving Among Low-income Households. Report on the Saving Gateway Pilot Project. London, UK: HM Treasury.

Kironget, L. (2014) *Pakistan Mobile Money Gap Analysis*. USAID.

Lazarus, R. S. (1991) *Emotion and Adaptation*. New York: Oxford University Press.

Matin, I., Hulme, D. and Rutherford, S. (2002) Finance for the poor: from microcredit to microfinancial services. *Journal of International Development 14*(2): 273-294.

Miles, M. B. and Huberman, A. M. (1994) *Qualitative Data Analysis: an Expanded Sourcebook*: Thousand Oaks, CA: Sage

Morawczynski, O. (2009) Exploring the Usage and Impact of "Transformational" Mobile Financial Services: The Case of M-PESA in Kenya. *Journal of Eastern African Studies* 3 (3): 509-25.

Moser, C (1996) Confronting Crisis: A Comparative Study of Household Response to Poverty and Vulnerability in Four Poor Urban Communities. World Bank, Washington DC: Environmentally Sustainable Development Studies. Monograph Series 8.

Narayan, D. (1995) Designing Community Based Development, Social Development. The World Bank, Washington DC: Environmentally and Socially Sustainable Development Network. Paper No. 7.

Oluwatayo, I. (2013) Banking the unbanked in rural southwest Nigeria: Showcasing mobile phones as mobile banks among farming households. *Journal of Financial Services Marketing 18*(1): 65-73.

Panigyrakis, G. G., Theodoridis, P. K. and Veloutsou, C. A. (2002) All customers are not treated equally: Financial exclusion in isolated Greek islands. *Journal of financial Services Marketing* 7 (1): 54-66.

Penaloza, L. (1995) Immigrant Consumers: Marketing and Public Policy Considerations in the Global Economy. *Journal of Public Policy and Marketing* 14 (1): 83-94.

Rice, X. (2007) Kenya sets world first with money transfers by mobile. The Guardian, 20 March, 2007, http://www.theguardian.com/money/2007/mar/20/kenya.mobilephones, accessed 24 February, 2016.

Saatcioglu, B. and Corus, C. (2014) Poverty and Intersectionality A Multidimensional Look into the Lives of the Impoverished. *Journal of Macromarketing* 34 (2): 122-32.

Schreiner, M. (2001) Informal finance and the design of microfinance. *Development in Practice*, 11(5): 637-640.

Singh, S. and Shelly M. (2010) New Financial Services – Review of Mobile Money Transfers in the Asia-Pacific. Eveleigh, New South Wales, Australia: Smart Services CRC.

Smith, N. C. and Cooper-Martin, E. (1997) Ethics and Target Marketing: The Role of Product-Harm and Consumer Vulnerability. *Journal of Marketing* 61 (3): 1-20.

Ståsett, S. J. (2007) The Ethics of Vulnerability, Social Inclusion and Social Capital. *Forum for Development Studies* 34 (1): 45-62.

Thompson, C. J. (1997) Interpreting Consumers: A Hermeneutical Framework for Deriving Marketing Insights from the Texts of Consumers' Consumption Stories. *Journal of Consumer Research* 34 (4): 438-55.

Thompson, C. J., Pollio, H. R. and Locander, W. B. (1994) The Spoken and the Unspoken: A Hermeneutic Approach to Understanding the Cultural Viewpoints that Underlie Consumers Expressed Meanings. *Journal of Consumer Research* 21 (3): 432-52.

Thompson, C. J. Locander, W.B. and Pollio, H, R. (1989) Putting Consumer Experience Back into Consumer Research: The Philosophy and Method of Existential-Phenomenology. *Journal of Consumer Research* 16 (2): 133-46.

Wang, J. J. and Tian, Q. (2014) Consumer Vulnerability and Marketplace Exclusion: A Case of Rural Migrants and Financial Services in China. *Journal of Macromarketing* 34 (1): 45-56.

Yi, S. and Baumgartner, H. (2004) Coping with Negative Emotions in Purchase-Related Situations. *Journal of Consumer Psychology* 14 (3): 303-17.

Table 1 Participants demographical details

Alias	Sex	Age	Occupation	Education	Income	Residence
Jani	M	43	Water-bore worker	High School	15000-20000/150-200US$	Local
Mani	M	27	Café Worker	High School	12,000/120US$	MW
Papu	M	26	Tailor	Left School	17000-18000/170-180US$	MW
Khan	M	44	Taxi Driver	Illiterate	15000-16000/150-160US$	Local
Bano	FM	36	Housemaid	Illiterate	15000/150US$	MW
Raja	M	41	Vegetable Seller	Left School	15000-17000/150-170US$	Local
Izza	FM	55	Housewife	Left School	20,000/200US$	Local
Rani	FM	25	Housemaid	Illiterate	8000/80US$	MW
Pola	M	29	Grocer	Undergraduate	15000-16000/150-160US$	MW
Nomi	M	21	Cashier in a Café	Completed School	11000/110/US$	MW
Nori	FM	40	Cleaner in a School	Illiterate	7000-8000/70-80US$	MW
Babu	M	42	Whitewasher	Completed College	12000-15000/120-150US$	Local
Jelo	FM	40	Pvt. School Teacher	Completed College	7000/70US$	Local
Shan	M	26	Salesman in a Shop	High School	10000/100US$	MW
Niaz	M	26	Tailor	Illiterate	15000-18000/150-180US$	MW
Bibi	FM	45	Housemaid	Illiterate	8500/85US$	MW
Babli	FM	46	Tailoring from home	Illiterate	10000-12000/100-120US$	MW
Sami	M	22	Grocer	Left School	15000-20000/150-200US$	MW
Bari	M	34	Barber	Illiterate	10000-12000/100-120US$	MW
Rema	FM	23	Housemaid	Illiterate	7000-8000/70-80US$	MW
Mana	M	24	Commercial Cleaner	Left School	7500/75US$	MW
Malik	M	47	Labor Supervisor	Left School	15000-20000/150-200US$	MW
Nelo	FM	25	Housemaid	Illiterate	10000/100US$	MW
Noor	M	32	Tailor	Illiterate	10000-12000/100-120US$	MW
Rifi	FM	50	Housemaid	Left School	10000/100US$	MW
Zain	M	30	Tailor	Left School	15000-20000/150-200US$	MW
Sher	M	64	Dry Cleaner	Left School	10000-15000/100-150US$	Local
Kaka	M	26	Welder	Left School	13000/130US$	Local