

JYU DISSERTATIONS 3

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**Sohail Kamran**

# **The Marketplace Vulnerability of Low-income Unbanked Consumers**

**A Developing Country Perspective**

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JYVÄSKYLÄ UNIVERSITY  
SCHOOL OF BUSINESS AND ECONOMICS

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**The Marketplace Vulnerability  
of Low-income Unbanked Consumers  
A Developing Country Perspective**

Esitetään Jyväskylän yliopiston kauppakorkeakoulun suostumuksella  
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## ABSTRACT

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Financial exclusion is recognised as an important element of socio-economic inequality where economically vulnerable groups are excluded from basic financial services. The issue of financial exclusion is mainly concentrated in the world's developing countries. However, research on the issue of financial exclusion in the field of marketing as well as from the perspective of unbanked consumers is lacking. Although financial exclusion impedes low-income consumers' welfare, there is a shortage of wellbeing related studies on low-income consumers in the context of developing countries. This doctoral dissertation aims to investigate the ways in which low-income unbanked consumers experience vulnerability in their routine lives owing to their financial exclusion. The primary data was gathered from unbanked consumers through semi-structured in-depth interviews.

This dissertation is comprised of four research articles. Overall, the findings explicate that low-income unbanked consumers are prone to experience marketplace vulnerability. First, the findings indicate that low-income unbanked consumers lose control of their daily financial matters and experience powerlessness, i.e. different types of detriment in their personal, social and economic lives. Second, they utilise various accessible and viable resources to take control of their ordinary financial affairs and to cope with their financial exclusion. Nevertheless, the limited skills and resources of low-income consumers often prevent them from effectively coping with the issue of financial exclusion. Hence, they often experience vulnerability in their ordinary lives due to financial exclusion. Third, the informal economic institutions, i.e. rotating savings and credit associations (ROSCAs)/Committees, can neither substitute for the formal financial institutions nor routinely facilitate their unbanked members to control and manage their routine financial matters. The unbanked participants often encounter several types of difficulties and risks in saving money and accessing short-term credit through Committees. Thus, financial exclusion remains a source of vulnerability for low-income consumers. Lastly, the findings indicate that problems in the justice elements of banks impede the financial inclusion of less affluent consumers. They perceive that banks treat them unfairly, and those perceptions contribute to their experiences of vulnerability.

This doctoral dissertation contributes to financial exclusion literature by investigating the factors which render low-income consumers unbanked and highlights their difficulties in managing day-to-day financial affairs. It contributes to consumer vulnerability literature by highlighting their experience of vulnerability owing to their vulnerable economic circumstances and marketplace unfairness. The four studies included in this dissertation offer a number of practical implications, which could be utilised to facilitate the financial inclusion and wellbeing of economically vulnerable consumers. Finally, this doctoral dissertation encompasses a discussion on the study's limitations and, subsequently, a number of future research studies are proposed.

**Keywords:** Financial Exclusion, Unbanked, Vulnerability, Powerlessness, Coping Strategies, ROSCAs, Justice Theory, Fairness, Banks, Developing Country, Pakistan.

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## FIGURES

FIGURE 1	Linkage between various concepts discussed in the literature .....	50
FIGURE 2	Diagrammatical representation of banks unfairness and low-income consumers vulnerability .....	71

## TABLES

TABLE 1	Summary of purpose of utilization of literature and contributions .....	45
TABLE 2	Participants profiles .....	56
TABLE 3	Summary of participants characteristics in four articles .....	57
TABLE 4	Interview guideline .....	61
TABLE 5	Internal, external, perceived and actual vulnerability of unbanked consumers .....	66
TABLE 6	Major rules of Committee and their roles in the system .....	69
TABLE 7	Summary of research contributions .....	77





# CONTENTS

ABSTRACT

ACKNOWLEDGEMENTS

FIGURES AND TABLES

CONTENTS

1	INTRODUCTION .....	11
1.1	Background of the study .....	11
1.1.1	Research gaps and objectives .....	13
1.1.2	Linkage between the four doctoral dissertation articles .....	16
1.2	Research questions .....	17
1.3	Outline of the dissertation .....	17
2	THEORETICAL BACKGROUND .....	19
2.1	Financial exclusion .....	19
2.2	Consumer vulnerability .....	24
2.3	Consumer coping strategies .....	31
2.3.1	Consumers coping with financial exclusion .....	33
2.4	Informal economic institutions (ROSCAs) .....	34
2.5	Organisational justice .....	39
2.6	Transformative service research (TSR) .....	42
2.7	Chapter summary .....	47
3	METHODOLOGICAL CHOICES .....	51
3.1	Ontological and epistemological assumptions .....	51
3.1.1	Ontological assumptions .....	51
3.1.2	Epistemological assumptions .....	52
3.2	Methodology .....	54
3.3	Methods and data .....	55
3.3.1	Sample and data collection .....	56
3.3.2	Data analysis .....	62
4	SUMMARY OF THE KEY FINDINGS OF EACH RESEARCH PAPER ....	65
4.1	Vulnerability of the unbanked: evidence from a developing country .....	65
4.2	How the unbanked cope with financial exclusion: Evidence from Pakistan .....	67
4.3	ROSCAs Role in Facilitating Control to the Unbanked: Evidence from Pakistan .....	68
4.4	Banks' unfairness and the vulnerability of low-income unbanked consumers .....	70

5	DISCUSSION AND CONCLUSIONS.....	72
5.1	Theoretical contributions.....	73
5.2	Practical contributions .....	79
5.3	Limitations and future research avenues.....	83
5.4	Evaluation of the doctoral research.....	85
	TIIVISTELMÄ (FINNISH SUMMARY).....	88
	REFERENCES.....	90
	APPENDIX-1- INTERVIEWS GUIDELINE IN URDU AND PUNJABI LANGUAGES.....	105
	ORIGINAL ARTICLES	

# 1 INTRODUCTION

## 1.1 Background of the study

The central concept of marketing declares that the priority is to serve customers' interests to enhance their wellbeing, but the reality often conflicts with this core marketing philosophy (Kennedy & Laczniak, 2016). It is commonly acknowledged that service firms discriminate against less affluent consumers (e.g. Fisk et al., 2016; Walsh, 2009), which often results in their exclusion from different basic services (Wang & Tian, 2014; Speak & Graham, 1999). Poor consumers are commonly denied the right to access various essential services by different service firms (Kotler & Levy, 1971), which increases their stress (Speak, 2000) and makes their lives problematic (Wang & Tian, 2014). The potential of low-income consumers to raise lower levels of revenue stimulate service firms to exclude them from their basic offerings through different strategies (Kempson & Whyley, 1999; Kotler & Levy, 1971). The repercussions of discriminatory marketing practices could be severe for low-income consumers, specifically when they are denied access to a necessary service by a service firm. These marketing practices raise ethical issues in the marketing system (Kennedy & Laczniak, 2016; Kotler & Levy, 1971). Therefore, these kinds of marketing strategies, which marginalise and exclude the less lucrative consumers, are unacceptable, particularly when they are left without comparable substitutes (Kotler & Levy, 1971).

The provision of necessary services plays a crucial role in facilitating consumers' everyday lives and has a strong impact on their life quality and wellbeing (Anderson et al., 2013). Service firms can improve or worsen consumers' wellbeing (Fisk et al., 2016; Anderson et al., 2013). They can positively impact vulnerable consumers' lives by providing them with access to a basic service, and designing policies and processes that facilitate their utilisation of a service (Wang & Tian, 2014). Service firms can cause a deterioration in consumers' wellbeing through their poor service design, service processes, or the lack of access to a service (Anderson et al., 2013, p. 1207). Service firms whose actions could adversely affect the wellbeing of financially

vulnerable consumers should be held accountable (Fisk et al., 2016). Healthcare services, social services and financial services are considered basic services for contemporary consumers; therefore, exclusion from these services necessarily affects consumers' welfare (Anderson et al., 2013).

The excluded consumers encounter marketplace vulnerability (Wang & Tian, 2014), which is a condition of powerlessness (Baker, Gentry, & Rittenburg, 2005). Although the consumers' lack of control of their personal circumstances contribute to their marketplace powerlessness, uncontrollable environmental conditions play a critical role in rendering them powerless in the marketplace. Service firms discriminating against certain consumer groups is often highlighted as one of the main cause of consumers' exclusion from certain consumption domains, which renders them vulnerable in the marketplace (Wang & Tian, 2014). Low-income consumers lack resources and capacities to better their personal circumstances and to deal with marketplace unfairness. They are vulnerable, owing to their economic status in society and their lack of literacy skills. Likewise, their lack of information, socio-cultural deprivation (Karnani, 2009, p.78) and service firms' discrimination diminish their power in the marketplace. Parties in a position of strength, such as policymakers and marketing researchers, can give voice to these powerless consumer groups, who are victimised by different service entities due to their susceptible economic position in society (Fisk et al., 2016).

Marketing researchers can enhance poor individuals' wellbeing by advocating their inclusion and transformation in the way service firms conduct business. Several eminent scholars have highlighted an acute shortage of service research with regards to low-income consumers in developing countries. They opine that such research could foster transformation in the services sector and could improve the wellbeing of the poor in developing countries (e.g. Fisk et al., 2016; Reynoso, Valdés, & Cabrera, 2015; Gebauer & Reynoso, 2013). Studies with regards to poor customers of service firms in developing nations are also warranted because current service theories produced as a result of the data gathered from economically stable customers are mostly inapplicable to low-income customer groups of developing countries (Reynoso et al., 2015; Gebauer & Reynoso, 2013).

Although five billion of the world's population live on different levels of poverty (Fisk et al., 2016), poverty is particularly prevalent in developing nations. Low-income groups constitute the largest market segments in most of the developing countries due to the inequalities in income distribution (see Kochhar, 2015). The poor commonly lack access to necessary services (Anderson, et al., 2013) such as a basic bank account. Developing countries' financial institutions shun serving low-income consumers due to their lack of profitability (Claessens, 2006). Thus, a vast majority of the world's unbanked individuals are citizens of developing countries (Demirguc-Kunt, Klapper, Singer, & Oudheusden, 2015). Their financial exclusion has the potential to harm them in their ordinary lives (Cartwright, 2011; Kempson & Collard, 2012). Access to basic financial services, e.g. a bank account, is imperative for the

happiness of modern-day individuals. Low-income consumers' financial services needs may differ from those of affluent consumers, but their perspective is often neglected by market researchers (Koku, 2015).

This doctoral research is related to the exclusion of low-income consumers from mainstream financial services in Pakistan. In 2017, Pakistan had a total population of approximately 207.8 million (Hussain, 2017). As of December 2016, Pakistan had 34 scheduled banks operating with 12,993 branches across the country (Statistics on Scheduled Banks of Pakistan, 2016). The situation with regards to access to financial services in Pakistan is worst, with 87% of the population remaining unbanked (Demirguc-Kunt et al., 2015). Low-income consumers constitute the largest segment, as 79.5% of the population fall into this category (Kochhar, 2015). The issues related to consumers and their wellbeing are rarely addressed by researchers in developing countries such as Pakistan. Financial exclusion poses a risk to the wellbeing of excluded consumers. It not only creates socio-economic inequality (Affleck & Mellor, 2006) but also causes problems in the lives of financially excluded consumers (Wang & Tian, 2014). Thus, understanding marketplace vulnerability of low-income unbanked consumers becomes an important theme to investigate. Pakistan has a massive size of financially excluded and low-income population, which makes it a suitable country to conduct empirical investigation for understanding the unbanked consumers' marketplace vulnerability. Therefore, this research investigates low-income unbanked consumers' issues that they face in their ordinary lives due to their financial exclusion in the context of Pakistan. More specifically, this research uncovers low-income unbanked individuals' actual experiences of vulnerability, the coping mechanisms they devise to tackle the issue of financial exclusion and their consequences, and their perceptions regarding the banks' fairness towards them.

### **1.1.1 Research gaps and objectives**

The main aim of this doctoral dissertation is to investigate the ways in which low-income unbanked consumers experience marketplace vulnerability in their routine lives. This research mainly aspires to make theoretical contributions to financial exclusion and consumer vulnerability domains by investigating the negative marketplace experiences of low-income unbanked consumers owing to their exclusion from mainstream financial services in the Pakistani context. Access to basic financial services is an important element of contemporary consumers lives and exclusion from those necessary financial services could cause them various severe problems in their ordinary lives (e.g., Wang & Tian, 2014). Therefore, the practical aim of this doctoral dissertation is to offer public policy implications for financial inclusion of the poor after realizing the problems from their own perspective (Koku, 2015). The central research objective is divided into three sub-research objectives, which this doctoral dissertation seeks to accomplish.

**Objective#1: To explore how financial exclusion causes low-income unbanked consumers to experience vulnerability in their ordinary lives. (Article # 1)**

Financial exclusion refers to consumers' lack of access to essential financial services (Panigyrakis, Theodoridis, & Veloutsou, 2002; Kempson & Whyley, 1999), such as transaction banking, savings, credits and insurance (World Bank, 2005). Financially excluded individuals could experience vulnerability (Wang & Tian, 2014), which is an inclination to be harmed (Ståsett, 2007, p.51). Low-income consumers are at a greater risk of being excluded from mainstream financial services (Carbo et al., 2007; Kempson & Whyley, 1999). Previous researchers have addressed some situations where poor individuals encountered vulnerability in accessing micro-credit from informal and private money lenders (e.g. Mariwah, 2012; Palmer & Conaty, 2002). However, according to the best of my knowledge, prior researchers did not study unbanked consumers from the viewpoint of broader vulnerability. This research gap warrants an investigation into unbanked consumers' experiences of vulnerability in their routine financial affairs.

**Objective#2: To examine coping strategies devised by unbanked consumers to combat their financial exclusion and the effectiveness of such coping mechanisms in facilitating unbanked consumers to control and manage their day-to-day financial matters. (Articles # 2 & 3)**

Financial exclusion can be problematic for those affected, as it brings them numerous adverse consequences (Wang & Tian, 2014; Collard & Kempson, 2005; Kempson & Whyley, 1998). Their financial exclusion places them at a disadvantage compared to the conventional consumers in the marketplace. However, consumers facing a disadvantage generally have the potential to utilise their environment to attain some degree of control in their lives (Hill, 2002; Hill & Stephens, 1997). Financially excluded consumers are compelled to find alternative ways to manage their routine financial affairs. However, there is a shortage of research that investigates the mechanisms consumers utilise to deal with undesirable market experiences (Duhachek, 2005; Yi & Baumgartner, 2004). Moreover, previous studies have only focused on the coping strategies and have ignored the consequences of those coping mechanisms that consumers devise to deal with a stressful situation, e.g. poverty. Hence, investigating these consequences could offer vital insights to enhance the wellbeing of economically vulnerable individuals (Hamilton & Catterall, 2008). Therefore, the second paper of this doctoral dissertation investigates different coping strategies utilised by low-income unbanked consumers to cope with their financial exclusion and the consequences they experience from using those coping mechanisms.

It is evident that unbanked consumers utilise different informal sources, such as social networks, to deal with their ordinary financial matters (Wang & Tian, 2014). In developing countries, some of these social networks have shaped

themselves as informal institutions. These informal institutions are voluntarily developed for community assistance and to attain specific objectives (Katz & Bender, 1976). One popular type of informal economic institution that facilitates individuals to save money and access short-term credit is known as a rotating savings and credit association (ROSCA) (Aliber, 2001; Bouman, 1995a; Callier, 1990). Previous research highlighted that unbanked individuals encounter problems with saving money and in accessing short-term credit (Kempson & Whyley, 1999). Thus, ROSCAs represent an informal response to the lack of access to formal financial services as well as a coping strategy to tackle the financial exclusion problem. ROSCAs are strongly embedded in developing countries and a significant amount of research has been conducted on these informal institutions (Peterlechner, 2009; Chiteji, 2002; Ndjeunga & Winter-Nelson, 1997; Bouman, 1995a; Besley, 1995; Besley, Coate, & Loury, 1993). Surprisingly, prior scholars ignored investigating the role of ROSCAs in facilitating low-income unbanked consumers to tackle their marketplace vulnerability. This research gap justifies a study on the role of ROSCAs' institutional characteristics in facilitating low-income unbanked consumers to take control of their situation. Therefore, the third research paper of this doctoral dissertation examines the role of ROSCAs in facilitating unbanked consumers in Pakistan to control and manage their day-to-day financial affairs and the consequences of ROSCA systems for participating members.

**Objective#3: To investigate how unbanked consumers perceive banks' fairness towards them and in what ways those perceptions cause them an experience of vulnerability. (Article # 4)**

Less affluent individuals are stigmatised, marginalised and discriminated against by financial service providers, which causes them marketplace vulnerability (Wang & Tian, 2014). The personal circumstances of unbanked consumers also hamper their financial inclusion (e.g. Solo, 2008; Kempson & Whyley, 1999), but it is mainly the banks' discrimination and unfair treatment of the poor that prevent them from fulfilling their consumption goals. This implies that financial service providers lack fairness in serving their poor customers, which obstructs their financial inclusion (Koku, 2009; Chéron, Boidin, & Daghfous, 1999). Low-income customers' access to basic financial services is restricted through different policies and procedures (Koku, 2009; Solo, 2008). The literature on financial exclusion indicates that financially vulnerable customers are treated unfairly by banks (e.g. Koku, 2009; Kempson & Whyley, 1999; Chéron et al., 1999). Fairness can manifest itself in three forms: distributive, procedural and interactional justice. Low-income consumers could experience distributive injustice in the form of geographical barriers to banking (Kempson, 2006; Kempson & Whyley, 1999), procedural injustice as the banks set procedures that are often difficult for them to fulfil (e.g. Solo, 2008), and interactional injustice when they encounter negative attitudes of bank staff (Kempson, 2006; Chéron et al., 1999). However, previous researchers failed to explicitly explore banks' fairness towards low-income consumers, and studies



on customers' perceptions of banks' fairness towards them are lacking (Worthington & Devlin, 2013). Likewise, there is a shortage of studies about the contexts in which consumers experienced vulnerability because of the service firm's prejudice towards serving specific customer groups, e.g. low-income consumers. Financial service firms' unfair behaviour may impede customers' fulfilment of their consumption goals, and they will consequently experience vulnerability (Baker et al., 2005). Given the contextual nature of vulnerability and the lack of fairness studies in financial services, it is justifiable to investigate low-income consumers' experiences of vulnerability due to banks' unfairness towards them. In these situations, consumers are prone to experience vulnerability and powerlessness because they lack control over their circumstances (Baker et al., 2005). Thus, the fourth research paper of this doctoral dissertation addresses the context in which low-income consumers' goals of financial inclusion are hampered due to banks' unfairness. It explores low-income unbanked consumers' perceptions regarding banks' fairness towards them and the ways in which those perceptions are linked to their experiences of vulnerability.

### **1.1.2 Linkage between the four doctoral dissertation articles**

This article-based dissertation comprises four research papers, and these are linked to the focal issue of financial exclusion amongst low-income unbanked consumers in Pakistan. All four papers, though from different perspectives, explicate that low-income unbanked consumers are prone to experience marketplace vulnerability in a variety of contexts.

The first paper of my doctoral dissertation discusses how the broader issue of financial exclusion causes low-income unbanked consumers to experience vulnerability in their everyday lives. In the absence of access to formal financial services, unbanked consumers are obligated to devise some mechanisms to deal with ordinary financial matters, such as for making transactions, saving and obtaining short-term loans. The second and third papers of my doctoral dissertation examine different coping strategies and mechanisms employed by the financially excluded unbanked consumers. These two papers also examine the effectiveness of these coping strategies to provide control to the unbanked individuals to tackle their marketplace vulnerability and the consequences of such strategies. Paper two addresses the general coping strategies employed by unbanked consumers to cope with the issue of financial exclusion. Paper three solely investigates the role of ROSCAs in enabling unbanked consumers to have control over their saving and short-term credit matters. The last paper discusses the role of banks' justice elements in the exclusion and marketplace vulnerability of low-income consumers. It explores low-income unbanked consumers' perceptions of banks' unfairness, and the ways those experiences and perceptions cause them vulnerability.

## 1.2 Research questions

The widespread issue of financial exclusion and gaps in the literature guided me to design the following research questions. The main aim of this research was to explore the marketplace vulnerability of low-income unbanked consumers from their personal perspective. The four research questions help to comprehend the marketplace vulnerability they experience due to their financial exclusion. Each of the four research questions are linked to a separate research paper included in this dissertation.

1. How do low-income unbanked consumers encounter marketplace vulnerability in their daily lives owing to their financial exclusion? (Paper#1)
2. What coping strategies are employed by unbanked consumers to tackle the issue of financial exclusion, and what are the consequences of those strategies? (Paper#2)
3. How do Committees (ROSCAs) facilitate unbanked consumers to control and manage their routine financial matters, and what are the consequences of the Committee system for the unbanked participating members? (Paper#3)
4. How do low-income unbanked consumers perceive the fairness of banks towards them, and how are these perceptions connected to their experiences of vulnerability? (Paper#4)

## 1.3 Outline of the dissertation

This doctoral dissertation is divided into two main parts. The first part is introductory and consists of five chapters. The second part includes four original articles.

*Chapter one:* The first chapter of the introductory part encompasses a discussion on the background of the study, research gaps and objectives, linkages between the four articles included in this doctoral research and research questions addressed in this doctoral dissertation.

*Chapter two:* The second chapter provides the theoretical background, including a discussion of the key literature and the theoretical concepts utilised in the four original research articles. It includes sections on financial exclusion, consumer vulnerability, consumer coping strategies, informal economic

institutions, justice theory, transformative service research (TSR) and a chapter summary.

*Chapter three:* The third chapter explains the methodological choices, and includes a discussion on the ontological and epistemological assumptions of this research, methodology, and the methods and data used in this research.

*Chapter four.* The fourth chapter presents a summary of each of the four articles, and covers their objectives, key findings and the link of each article to the doctoral dissertation aims.

*Chapter five:* The last chapter comprises a discussion and conclusions. This chapter discusses the theoretical and practical contributions of this research, and it also presents the research limitations and future research directions, which is followed by an evaluation of this doctoral research.

*Original articles:* The second part of this doctoral dissertation includes four original articles, which have been published in various journals.

## **2 THEORETICAL BACKGROUND**

This chapter presents a review of extant literature on different concepts and theories utilised in this doctoral research. The discussion in this chapter helps to identify research gaps and potential contributions of this doctoral research. The structure of this chapter is as follows. The chapter begins with a section on financial exclusion, which is followed by consumer vulnerability and consumer coping literature. Subsequently, informal economic institutions, i.e. ROSCAs, and their characteristics are discussed in relation to the new institutional theory. The next two sections incorporate discussions on the justice components and TSR, respectively. Finally, a chapter summary is provided, which sums up the research gaps and positioning of the study.

### **2.1 Financial exclusion**

Financial exclusion is a common expression used for people who lack access to basic financial products (Panigyrakis et al., 2002; Kempson & Whyley, 1999). Leyshon and Thrift (1995) defined financial exclusion as 'those processes that serve to prevent certain social groups and individuals from gaining access to the financial system'(p. 314). Four services are considered essential banking services in the contemporary age. These consist of transaction banking, savings, credits and insurance. Therefore, an individual who does not have access to any of these services may be considered financially excluded (World Bank, 2005). However, there are people who have no access to any of the mainstream financial services in an appropriate form (Panigyrakis et al., 2002). These people are totally financially excluded (Devlin, 2009) and are termed 'unbanked'(Solo, 2008). The unbanked individuals have no relationship with a formal financial services provider, including banks, cooperatives and credit unions (Solo, 2008, p.47). Furthermore, it is apparent that populations at an economic disadvantage are at greater risk of being totally excluded from basic financial services (e.g. Koku, 2009; Fuller & Mellor, 2008; Carbo, Gardener, & Molyneux, 2007;

Kempson & Whyley, 1999). Individuals can be financially excluded because of a range of barriers. Kempson and Whyley (1999) explained five major types of exclusions that prevent certain consumer groups from utilising basic financial services. These include:

- *Access exclusion*: When consumers are restricted from accessing financial services through the process of risk assessment;
- *Condition exclusion*: When a financial product becomes unsuitable for the needs of some consumers due to the provisions attached to it, such as bank charges;
- *Price exclusion*: Where some financial services are too expensive for consumers to afford;
- *Marketing exclusion*: Whereby financial service providers deliberately exclude some consumer groups from target marketing and selling activities; and
- *Self-exclusion*: Where people believe that there is no use applying for a financial service because their application will be rejected. Consumers may opt to exclude themselves from basic financial services either due to their personal negative experiences or after knowing of the adverse experiences of others in their social circle.

Different factors influence the level of financial exclusion in diverse financial markets (Devlin, 2009; Marshall, 2004). Therefore, the reasons for financial exclusion may also vary in different country contexts because of variations in each specific country's social and economic development (Claessens, 2006; Marshall, 2004). Nevertheless, the extant literature highlights that demographic, economic, socio-cultural and institutional factors commonly encourage financial exclusion (FSA, 2000; Kempson & Whyley, 1999). First, individuals with certain demographic characteristics, i.e. vulnerable consumer groups (Hogg, Howells, & Milman, 2007; Brennan, 2006; Burden, 1998), are most likely to be excluded from basic financial services. According to Kempson and Whyley (1999), people who are living at low-income levels, school leavers, people taking state benefits, the unemployed, people lacking job security, single non-pensioners and people from disadvantaged communities are at a higher risk of financial exclusion in the UK. Likewise, employment status, income, ethnicity and region also affect the ownership of different financial products (FSA, 2000; Hogarth & O'Donnell, 1997). Second, cultural factors, such as parental disapproval to utilise a financial product or service (Kempson & Whyley, 1999) and religious teachings, hinder utilisation of basic financial services for some consumers. For instance, in the UK, some people of Pakistani and Bangladeshi origins face religious obstacles to banking as conventional banking practices are prohibited under Islamic law (Kempson & Whyley, 1998). Lastly, previous studies also identify institutional

factors that restrict individuals' access to basic financial services. For instance, Kempson (2006) pointed out that banks' negative response to prospective customers, terms and conditions, identity requirements, bank charges and physical access issues are the major reasons of financial exclusion in developed economies. The financial institutions' actions usually do not facilitate prospective low-income customers in their financial inclusion because they are considered unprofitable (Kempson & Whyley, 1999; Chéron et al., 1999).

Banks are business entities that exist to earn profits, but in so doing, they often neglect the economically disadvantaged segments of society (Koku, 2009). This makes it difficult for the disadvantaged to make currency exchanges, transfer or save money securely, and access affordable short-term credit (e.g. Kempson & Whyley, 1999). Thus, financial exclusion renders the consumers susceptible in the marketplace (Wang & Tian, 2014). Excluding the poor from mainstream financial services is, therefore, unjust and unacceptable (Chéron et al., 1999). Economically disadvantaged individuals are commonly interested in opening a bank account (Solo, 2008) to escape their difficult circumstances (Wang & Tian, 2014). Their financial exclusion could partially be blamed on their personal circumstances, such as poverty and illiteracy (e.g. Solo, 2008; Kempson & Whyley, 1999). However, the supply-side barriers to banking are the major cause of the massive unbanked population in the developing world. These include: geographical barriers to banking (Kempson, 2006; Panigyrakis et al., 2002; Kempson, Whyley, Caskey, & Collard 2000; Kempson & Whyley, 1999; Leyshon & Thrift, 1995); discrimination against less-privileged customers (Matin, Hulme, & Rutherford, 2002; Kempson & Whyley, 1999; Leyshon & Thrift, 1995); documentation and initial deposit requirements to open a bank account (e.g. Solo, 2008); and poor service provided by the bank staff to the less affluent individuals (Kempson, 2006; Chéron et al., 1999).

Access to basic banking services, e.g. a bank account, is considered a necessity for contemporary consumers for their effective participation in economic and societal activities (Kempson & Collard, 2012; Speak & Graham, 1998; Lyeshon & Thrift, 1995). It is evident that opening a basic bank account helps individuals to develop their financial identities (Garman & Forge, 2000). However, a basic bank account remains out of reach for many individuals in developing countries (Demirguc-Kunt et al., 2015; Honohan, 2008). According to one estimate, more than one-third of the world population do not own a basic bank account (Demirgüç-Kunt & Klapper, 2012), and the majority of those reside in the developing world (Demirguc-Kunt et al., 2015; Demirgüç-Kunt & Klapper, 2012; Honohan, 2008).

Previous research highlights the social and financial repercussions of financial exclusion (e.g. Solo, 2008; Collard & Kempson, 2005; Kempson & Whyley, 1999; Kempson & Whyley, 1998). These could include people with no bank account encountering problems when encashing cheques, such as getting their cheques cashed by third parties, i.e. companies, who offer this service but charge a handsome commission for it (Kempson & Whyley, 1998). Likewise, financial exclusion can also negatively affect self-esteem and could lead to

deprivation of social connections and social relationships with friends or family. In some instances, paying by cash can also raise suspicion in others' minds that the money is stolen, which may also result in a state of humiliation and lower self-esteem for financially excluded individuals (Collard & Kempson, 2005).

A study by Kempson and Whyley (1999) revealed that households without a current bank account in the UK face difficulties with bill payments and cheque handling. Likewise, some people without a current account decided not to open a bank account in order to keep closer control over their money. However, the methods developed by these totally financially excluded people to manage their cash budgets were found to be time consuming, entailed charges and usually resulted in paying more for basic household services (Kempson & Whyley, 1999). For instance, people paying their utility bills in cash pay more per year than those paying through direct debit (Kempson & Whyley, 1999, 1998). Similarly, unbanked people face difficulties with accepting a job offer because employers in the UK usually need a bank account for salary payments (Kempson & Whyley, 1999), and obtaining other financial products, such as loans and insurance, because instalments are paid through direct debit and unbanked people have a low level of financial credibility (Kempson & Whyley 1999, 1998). Unbanked people are also unable to purchase products online, which may save them some money (Leyshon, Thrift, & Pratt, 1998). Furthermore, people who keep their savings in cash in their homes are vulnerable to robbery (Kempson & Whyley, 1999), and they cannot get interest on their savings, which people with bank accounts can enjoy (Kempson, McKay, & Collard, 2005).

The poor lack access to formal sources of credit, leading them to take credit from informal money lenders (Affleck & Mellor, 2006; Collard & Kempson, 2005; Prahalad & Hart, 2002; Kempson & Whyley, 1999) who often exploit them in the shape of charging very high costs or interest on loaned money (Mallick, 2012; Prahalad & Hart, 2002; Kempson & Whyley, 1999). Low-income consumer groups approach money lenders for loans because they are refused by conventional financial service providers (Byrne, McCarthy, & Ward, 2007, 2005). However, these moneylenders charge very high interest rates on credit, which increases the economic stress of low-income people. Some unbanked individuals and households even obtain credit with extremely high interest rates from illegal moneylenders (Herbert & Hopwood-Road, 2006). Furthermore, if the borrower cannot repay the loan, they may have to face aggressive and intimidating behaviour from unlicensed or illegal moneylenders (Kempson & Whyley, 1999). In some developing countries, the situation is even worse for unbanked individuals. For instance, a study conducted in Ghana by Mariwah (2012) found that unbanked farmers borrow at an interest rate of 100% per annum from informal money lenders. In the case of default, the farmer loses his cocoa farm, which is a major livelihood asset.

There has been a considerable discussion within academic circles on the issues of financial exclusion (e.g. Devlin, 2009, Carbo et al., 2007; Marshall, 2004; Hogarth & O' Donnell, 2000; Kempson & Whyley, 1999). However, the majority

of these researchers have studied financial exclusion within the context of the developed world. For example, Devlin (2009) and Kempson and Whyley (1999) studied financial exclusion in the UK context, Hogarth and O' Donnell (2000) in the USA context, and Carbo et al. (2007) in the EU context. It is the poor who are mostly excluded from mainstream financial services (Koku, 2009; Carbo et al., 2007; Kempson & Whyley, 1999). In the developed world context, the proportion of low-income individuals is much lower than in developing nations (see Kochhar, 2015) where a greater percentage of the population remains unbanked (Demirguc-Kunt et al., 2015). Most of the developing countries are characterised by income inequalities, and a vast majority of the world's poor or low-income population resides in developing countries (Kochhar, 2015). Nations with the highest levels of income disparity tend to have higher levels of financial exclusion (Kempson, 2006). People living at low-income levels generally have modest financial service needs. This leads to an insufficient supply of financial products because these groups are generally expected to raise lower levels of revenues for financial firms (Kempson & Whyley, 1999). Claessens (2006) noted that developing nations' financial systems are heavily inclined towards serving the needs of wealthier individuals because banks tend to save costs and increase profitability. Consequently, less affluent segments of society tend to suffer from a lack of access to financial products, which hinders their wellbeing.

Financial exclusion seems to be a major issue in developing countries where a significant percentage of the population currently remains unbanked (Demirguc-Kunt et al., 2015). There is a lack of research on low-income consumers of developing countries (Fisk et al., 2016; Reynoso et al., 2015; Gebauer & Reynoso, 2013), who are commonly excluded and exploited in the marketplace, i.e. unbanked consumers (e.g., Mariwah, 2012). The actual vulnerability of excluded consumers can only be unpacked by investigating their position as consumers (Baker et al., 2005). Therefore, a study on unbanked consumers in a developing country context is needed for understanding their experience of marketplace vulnerability, for mitigating their marketplace sufferings and for enhancing marketplace fairness for them (Baker et al., 2005). The poor are mostly affected by financial exclusion (Koku, 2009; Fuller & Mellor, 2008; Carbo et al., 2007; Kempson & Whyley, 1999), which represents injustice in the marketplace because it hinders their wellbeing in different ways (Wang & Tian, 2014; Solo, 2008). Parties having a position of strength can certainly advocate fairness for the economically disadvantaged consumers, which can facilitate their financial inclusion. Marketers can certainly play their role in bringing about fairness for poor people in the marketplace (Baker et al., 2005), but there is dearth of studies on the issue of financial exclusion in the realm of marketing. Financial inclusion strategies could benefit by understanding the perspectives of those who are affected by the issue of financial exclusion. However, there is an acute shortage of studies in the realm of financial exclusion conducted from the standpoint of unbanked individuals (Koku, 2015).



The extant literature points to a few issues which are not explicitly addressed by previous researchers. First, financial exclusion literature highlights negative consequences for those who are excluded from mainstream financial services. This implies that the unbanked population encounters vulnerability, i.e. different kinds of harm in the marketplace. However, this issue has neither been explicitly addressed by previous researchers nor has it been explored from the viewpoint of those who are unbanked. Second, consumers experiencing marketplace vulnerability try to cope with their taxing conditions (Baker et al., 2005). However, it is rather unclear how the unbanked handle their marketplace vulnerability and to what extent their different coping mechanisms bring them satisfaction in managing their day-to-day financial affairs, which they potentially experience due to their exclusion from mainstream financial services. Finally, the financial exclusion of poor individuals indicates marketplace unfairness, because they are discriminated against and excluded by banks due to their economic disadvantages (Koku, 2009; Carbo et al., 2007; Kempson & Whyley, 1999).

Financial exclusion renders low-income unbanked consumers vulnerable in managing their everyday financial affairs. They experience actual vulnerability in various life domains due to their financial exclusion (Kamran & Uusitalo, 2016a). Low-income unbanked consumers' powerlessness is evident due to their vulnerable economic circumstances but they mainly encounter it due to the marketplace unfairness towards them. They lack control to alter marketplace situation in their favour that not only hinders their financial inclusion but also causes them vulnerability (Kamran & Uusitalo, 2018; Baker et al., 2005). As financial exclusion instigates consumer vulnerability (Kamran & Uusitalo, 2016a;2016b) consumer vulnerability literature is pertinent to discuss in the following section.

## **2.2 Consumer vulnerability**

Consumer researchers have given significant attention to investigating vulnerable consumers and their experiences of vulnerability (e.g. Visconti, 2016; Baker et al., 2005; Smith & Cooper-Martin, 1997). However, the literature lacks a unanimous definition of consumer vulnerability. Nevertheless, it generally connotes consumer harm or detriment (e.g. Ståsett, 2007; Baker et al., 2005; Smith & Cooper-Martin, 1997), which can be of an economic, physical or psychological nature (e.g. Smith & Cooper-Martin, 1997). There are two types of themes in the definitions of vulnerable consumers and in their experiences of vulnerability. The first taxonomy of definitions explains that individuals experience vulnerability because of their individual circumstances (e.g. Smith & Cooper-Martin, 1997; Ringold, 1995; Morgan, Schuler, & Stoltman, 1995). For instance, Ringold defined it as a 'diminished capacity to understand the role of advertising, product effects or both' (p.584). Likewise, Smith and Cooper-Martin (1997) defined 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' (p. 4). These definitions stress that consumers suffer harm in marketplace transactions solely because of their idiosyncratic conditions or demographic characteristics. Hence, the role of external factors, e.g. marketplace discrimination, in causing consumers to undergo marketplace vulnerability is mostly ignored (Smith & Cooper-Martin, 1997; Ringold, 1995; Morgan et al., 1995).

The second classification of vulnerable consumers and their experiences of vulnerability highlights that both individual circumstances, e.g. poverty and illiteracy, and external conditions, e.g. stigmatisation and marketplace discrimination, contribute to consumers' experiences of vulnerability (e.g. Visconti, 2016; Baker et al., 2005). Baker and her colleagues delineate consumer vulnerability as a condition of marketplace powerlessness that occurs from inequities in marketplace interactions. It happens when consumers lack control of their personal or external environmental conditions. Vulnerable consumers are dependent on external parties, e.g. marketers to introduce fairness for them in the marketplace. The actual vulnerability occurs from the interaction of individual states, such as the death of a close relative or individual characteristics, and external conditions, e.g. marketplace discrimination, within a situation where consumers' consumption objectives are hampered and those negative marketplace experiences affect individual and social perceptions of self (Baker et al., 2005, p 134). The economically vulnerable consumers are excluded from essential financial services owing to their poverty, which represent marketplace unfairness. Although they lack control of their personal circumstances, the external conditions, such as banks discriminating against serving them, play a vital role in their exclusion (Wang & Tian, 2014). The actual vulnerability of excluded consumers is manifested in the shape of several kinds of detriment encountered due to their exclusion (Kamran & Uusitalo, 2016a). The service researchers can play their part in bringing fairness to the marketplace for the helpless poor consumers (Fisk et al., 2016).

The terms vulnerable consumers and disadvantaged consumers are used interchangeably, but it is necessary to point out that they slightly differ from each other (Baker et al., 2005). Therefore, a brief distinction is drawn between the two. A disadvantaged consumer is a person in continual circumstances and/or with enduring attributes that adversely influence consumption thereby causing an enduring vulnerability to harm in consumption. So, a disadvantaged consumer repetitively experiences harm or below average satisfaction than expected from consumption (Consumer affairs Victoria, 2004, p. 23), only due to their personal characteristics (Andreasen, 1975; Baker et al., 2005; Consumer affairs Victoria, 2004) and it is considered a permanent state (Baker et al., 2005; Consumer affairs Victoria, 2004). Contrarily, a consumer capable of readily or quickly experiencing detriment in the process of consumption is a vulnerable consumer. Vulnerability to harm could arise from either the market characteristics for a particular product, or due to the nature of the transaction;

or the individual's personal characteristics or circumstances which negatively affect consumption decision-making or the pursuit of redress for any detriment suffered; or a combination of these (Baker et al., 2005; Consumer affairs Victoria, 2004, pp 23). Consumers are considered vulnerable for either one or combination of their personal circumstances (i.e. individual characteristics and individual state) and external factors (e.g. marketplace discrimination). Consumer experience of vulnerability is considered a temporary affair because they could obtain control of their consumption lives owing to a favorable change in their individual circumstances or in the marketplace situation (Baker et al., 2005).

Various authors have classified certain groups of consumers as vulnerable due to their personal circumstances. Hogg et al. (2007) suggested that in the context of financial services, almost 70% of the UK population could potentially be categorised as vulnerable in the knowledge-based economy (KBE) with regards to different criteria, such as income, age, literacy level and level of financial literacy among others (p. 152). Similarly, according to Burden (1998), elderly people, young people, unemployed, people with limiting or longstanding illnesses, low-income households, ethnic minorities, illiterate or less literate are vulnerable groups in the marketplace. Earlier studies proposed that consumers with these individual characteristics are expected to experience vulnerability and, therefore, they require additional support in the marketplace (Brennan, 2006). A number of researchers have investigated those personal or demographic characteristics that cause consumers to experience vulnerability. Some noteworthy studies on personal circumstances include: disabled consumers (Falchetti, Ponchio, & Botelho, 2016; Baker, 2006; Baker, Stephens, & Hill, 2001); low-literate consumers (Viswanathan, Rosa, & Harris, 2005; Adkins & Ozanne, 2005); low-income consumers (Hamilton & Catterall, 2005) and customers with limited knowledge of English (Adkins & Jae, 2010). However, there is no empirical evidence that these individual characteristics should be the only basis on which to describe consumer vulnerability (Baker et al., 2005).

Another form of vulnerability is caused by the environment in which individuals live (Baker & Mason, 2012; Baker et al., 2005). For instance, natural disasters make individuals encounter vulnerability because their health, lives and economic assets are in danger due to uncontrollable external factors (Baker, Hunt, & Rittenburg, 2007). Consumers could also experience vulnerability when their environment creates barriers for them to participate in society (Baker & Mason, 2012; Baker et al., 2005). These external factors, which are beyond the control of individuals, include stigmatisation and repression, distribution of resources, physical elements, logistical elements and other environmental conditions such as economic, social and political upheaval or violence. These factors contribute to imbalances of power in exchange relationships that disfavour consumers (Baker et al., 2005, p.130).

Hence, both internal and external factors render people to encounter vulnerability (Baker et al., 2005; Hill & Stamey, 1990). For instance, Hill and Stamey (1990) revealed that homeless people's internal characteristics may also

make them vulnerable, but external factors, such as societal and structural issues, also contribute to the circumstances of homeless people, as these factors are beyond their control. Thus, structural conditions also add to the broader concept of vulnerability. Consumers may be discriminated against by sellers, owing to their personal vulnerable circumstances, such as low-income, illiteracy and physical appearance (Baker et al., 2005). Thus, a variety of internal and external factors can contribute to consumers' marketplace powerlessness.

Consumers' powerlessness refers to situations when they feel that events are uncontrollable for them and they cannot achieve desired outcomes or accomplish their consumption goals (Rucker & Galinsky, 2008; Bunke & Ball, 2008; Baker et al., 2005). Thus, consumers' powerlessness is associated with their actual or perceived loss of control over their consumption lives. The feelings of powerlessness arise when consumers sense losing control over their own circumstances, their environment or both. Their powerlessness is usually linked with severe adverse consequences (Kamran & Uusitalo, 2016a; Rucker & Galinsky, 2008). Consumers may experience powerlessness when they have a lack of choice and control due to a greater power imbalance between the seller and the customers. Uncontrollable environmental situations that make consumers powerless in the marketplace often have detrimental consequences for them (Rayburn, 2015). Consumers could also become powerless due to their lack of personal abilities and skills. Many consumers are powerless in evaluating brands due to their personal deficiencies. For example, comparable market offerings often make it difficult for them to differentiate between different brands, which has a potential to cause them harm (Walsh & Mitchell, 2005).

Everyone has the potential to encounter marketplace powerlessness in different consumption contexts, but it is mostly considered a temporary situation (Baker et al., 2005). Conventional consumers can also experience powerlessness in a variety of consumption contexts, but episodes of their negative marketplace experiences are usually brief. They return to normalcy and obtain control of their consumption lives due to their adequate resources. Contrarily, economically vulnerable individuals experience marketplace powerlessness in a somewhat enduring manner due to their lack of resources and skills as well as the unfriendly marketplace environment (Saatcioglu & Corus, 2016; Wang & Tian, 2014; Baker et al., 2005). For instance, anyone can undergo powerlessness in understanding financial product information as it is presented in a rather difficult and complex way. However, less affluent consumers are commonly powerless in understanding financial product information due to their lack of literacy skills as well the level of complexity in the delivery of information (Cartwright, 2011). Economically underprivileged consumers who encounter exclusion from a given service domain due to their limited resources and capacities (Fisk et al., 2016; Wang & Tian, 2014) typically undergo marketplace powerlessness. Their poverty is a frequently viewed source of exclusion from various important consumption spheres (Saatcioglu & Corus, 2016), and their powerlessness results from them encountering various

types of detriment (Kamran & Uusitalo, 2016a, 2016b; Smith & Cooper-Martin, 1997). For instance, financial exclusion makes low-income consumers powerless in the marketplace, which is manifested in the shape of adverse consequences in their economic, financial and personal lives (Kamran & Uusitalo, 2016a).

A feeling of powerlessness deteriorates an individual's wellbeing (Kamran & Uusitalo, 2018; Rucker & Galinsky, 2008; Operario & Fiske, 2001). The economically vulnerable individuals are likely to be treated unfairly by others in various life domains and their lack of perceived power to positively alter the circumstances further contributes to their sense of powerlessness (Kamran & Uusitalo, 2018; Rucker & Galinsky, 2008). Individuals feeling a sense of powerlessness desire to reduce it. Although various sources can help individuals to reduce their powerlessness one's economic status can offer a strong input to reduce perceived or actual powerlessness (Rucker & Galinsky, 2008; Fiske & Berdahl, 2007). This implies that consumers' personal circumstances could affect their negotiation power in the marketplace (Rucker & Galinsky, 2008). The majority of consumers in the developing countries have a low economic status (Kamran & Uusitalo, 2018) but a common lack of regulations to protect consumers from unfair marketplace practices certainly make them powerless (Kamran, 2010; Karnani, 2009). The low-income consumers are often subject to marketplace discrimination (Kamran & Uusitalo, 2018; Fisk et al., 2016). This connotes that external factors (e.g. marketplace unfairness) are a major cause for consumers to undergo powerlessness in the marketplace, especially in the developing countries (Kamran & Uusitalo, 2018). Consumer powerlessness can be caused by internal or external circumstances of an individual and it is a commonly used expression in the literature (e.g. Baker, et al., 2005). The term marketplace powerlessness is used in this dissertation. While the terms consumer powerlessness and marketplace powerlessness can be used interchangeably, purpose of using marketplace powerlessness expression in this manuscript is to emphasize that low-income consumers mainly undergo powerlessness in the marketplace due to external factors such as unfairness and discrimination and not due to their personal circumstances (Kamran & Uusitalo, 2018).

A lack of individual control is a fundamental aspect of consumers' experiences of vulnerability (Baker et al., 2005; Hill & Stephens, 1997). Consumers can lack control in their marketplace transactions either due to their personal circumstances, external factors or both (Wang & Tian, 2014; Baker et al., 2005). The previous literature on the financial exclusion of low-income consumers indicates that their poverty and uncontrollable environmental factors can contribute to their financial exclusion (Carbo et al., 2007; Kempson, 2006; Matin et al., 2002; FSA, 2000; Kempson & Whyley, 1999). Poor consumers are discriminated against by sellers due to their personal economic circumstances. They do not cause themselves to be vulnerable, but their vulnerability is caused by factors beyond their control, i.e. marketplace discrimination (Baker et al., 2005). The low-income segments are mainly affected by marketplace discrimination (Walsh, 2009) because they are not

expected to generate sizeable revenues for the service firms (Ekström & Hjort, 2009). Marketplace discrimination impedes the poor from having control over accomplishing their consumption endeavours, leading them to experience vulnerability (Baker et al., 2005). For example, mainstream lenders' discriminatory policies are uncontrollable for low-income consumers, which prevent them from obtaining credit from formal financial service providers (Canhoto & Dibb, 2016; Wang & Tian, 2014). Consequently, the excluded consumers attempt to achieve control of their financial matters through different informal mechanisms. Nonetheless, they perceive a lack of control by having to organise their financial affairs in an informal manner and, thus, experience vulnerability (Wang & Tian, 2014).

Smith and Cooper-Martin (1997) coined a typology of perceived and actual vulnerability. Perceived vulnerability arises when other people believe that a person is vulnerable; however, that person either does not feel susceptible or is unwilling to admit her/his experience of vulnerability. On the contrary, actual vulnerability happens when it is really experienced by individuals. Researchers can only identify and understand the actual vulnerability of individuals by listening and noticing their actual experiences. Investigating consumer vulnerability from a demographic or environmental viewpoint is problematic because it casts vulnerability as both one-dimensional and enduring (Baker, 2009; Baker et al., 2005). However, this standpoint of consumer vulnerability is useful for both marketers and public policymakers to recognise consumer groups who require additional support in the marketplace (Baker, 2009). Hence, it is actual vulnerability that should be identified and understood by both the marketing practitioners and policymakers (Baker et al., 2005, p. 128). The notion of actual vulnerability holds that both internal, e.g. individual circumstances, and external factors leave an individual susceptible in the marketplace (Baker et al., 2005). Both perceived and actual vulnerability concepts have advantages and disadvantages. Commuri and Ekici (2008) suggested that consumer vulnerability can be best understood by integrating perceived and actual vulnerability. By integrating aspects of both perceived and actual vulnerabilities, marketers and policymakers can develop proactive policies.

Financially excluded consumers are expected to encounter vulnerability in their lives, but consumer vulnerability literature lacks studies on excluded consumers and their actual experiences of vulnerability (c.f. Canhoto & Dibb, 2016; Wang & Tian, 2014). In the realm of financial services, banks' prejudice against serving low-income consumers could obstruct their financial inclusion endeavour and make them susceptible in many ways. First, the unbanked consumers could encounter harm as a consequence of financial exclusion in their daily lives, e.g. in making transactions, in their efforts to save money and in accessing short-term credit (e.g. Kempson & Whyley, 1999). A few previous researchers have approached consumer vulnerability in this context, but those studies were mainly restricted to consumers' experiences of vulnerability due to a lack of access or exclusion from credit (e.g. Canhoto & Dibb, 2016; Wang &

Tian, 2014). However, previous researchers did not take an explicit and holistic stance to investigate the experience of vulnerability of the unbanked, e.g. transactions, savings and credit. Second, the poor typically possess restricted resources and capacities (Fisk et al., 2016), which may also limit them to effectively cope with financial exclusion issues in their ordinary lives. However, it is also unclear to what extent the unbanked poor are capable of tackling their marketplace vulnerability caused by financial exclusion. Lastly, many economically disadvantaged consumers wish to open a basic bank account (Solo, 2008), but their financial inclusion endeavour remains incomplete due to different uncontrollable factors, e.g. banks' discrimination. To the best of my knowledge, prior scholars have not attempted to investigate the settings where poor individuals encounter vulnerability because of the service providers' unfairness. For instance, banks' discrimination against the poor is an uncontrollable factor for them and impedes their financial inclusion goal, which in this context, they are expected to encounter powerlessness and vulnerability because their consumption objective remains unfulfilled (Baker et al., 2005).

The concepts discussed in the consumer vulnerability section are interconnected and it is worth giving an explanation here. Consumers can be vulnerable owing to their personal circumstances (e.g. poverty) or environmental conditions (e.g. marketplace unfairness) or due to a combination of internal and external circumstances (Baker et al., 2005). The economic vulnerability is a personal condition of low-income unbanked consumers but banks' possible unfairness plays a vital role in causing vulnerability to them (Kamran & Uusitalo, 2018). Banks' perceived discrimination is attributed to the economic vulnerability of individuals. The low-income consumers do not cause vulnerability to themselves. Therefore, it is the external environmental condition that plays a major role in rendering them vulnerable (see. Kamran & Uusitalo, 2018; Baker et al., 2005). Due to felt unfairness, low-income consumers' experience of broader vulnerability is evident in their everyday lives. They undergo vulnerability in all types of routine financial matters, i.e. money transfers, savings and acquisition of short-term credit (Kamran & Uusitalo, 2016a). Vulnerability of low-income unbanked consumers stems from the external factors which they encounter in the marketplace. Therefore, to highlight the major role of external circumstances in rendering the poor consumers vulnerable in the context of financial services, marketplace vulnerability term is also used in this manuscript. Nevertheless, both consumer vulnerability and marketplace vulnerability can be used interchangeably. The banks unfairness is a major cause of low-income consumers' marketplace powerlessness, which is manifested in severe negative consequences in their ordinary economic lives (Kamran & Uusitalo, 2016a).

Low-income unbanked consumers are obliged to reduce their powerlessness in managing their routine financial matters. They device different informal mechanisms to tackle with their financial exclusion and to bring some degree of control to their economic lives, which can be considered their coping strategies to tackle with marketplace vulnerability (Kamran &

Uusitalo, 2016b). Therefore, the next chapter discusses consumer coping strategies, which consumers usually utilize to reduce powerlessness and to introduce some degree of control in their lives during taxing circumstances (e.g. Baker et al., 2005).

### 2.3 Consumer coping strategies

Consumers experiencing marketplace vulnerability usually employ different coping strategies to deal with the problematic situations and to mitigate their experiences of vulnerability (Hamilton & Catterall, 2008, 2007; Baker et al., 2005). However, all the coping strategies do not necessarily contribute positively to enhancing consumers' control and resilience in difficult circumstances. Some coping mechanisms and behaviours could further aggravate consumers' experiences of vulnerability (Broderick et al., 2011). Previous research highlights that different people may cope with stress differently and employ a range of coping strategies based on their personality characteristics (Duhachek & Iacobucci, 2005; Sujan, Sujan, Bettman, & Verhallen, 1999; Mathur, Moschis, & Lee, 1999). One of the widely accepted definitions of coping is provided by Lazarus and Folkman who define coping as 'constantly changing cognitive and behavioural efforts to manage specific external or internal demands that are appraised as taxing or exceeding the resources of the person' (Lazarus & Folkman, 1984, p. 141). This implies that financial exclusion represents a challenge for low-income unbanked consumers. They are continuously compelled to utilise different coping strategies to take control of their routine financial affairs, e.g. transferring money, saving money and obtaining short-term loans (Kamran & Uusitalo, 2016b).

Consumer coping strategies are usually categorised into emotional and behavioural (Baker et al., 2005; Hill & Stephens, 1997; Heckhausen & Schulz, 1995). Hill and Stephens (1997), who studied improvised consumer behaviour, found that consumers employ both emotional and behavioural coping strategies to cope with stressful situations. Emotional strategies include distancing and fantasy or any other attempts to regulate emotions (Baker et al., 2005; Hill & Stephens, 1997). Distancing as a consumer coping strategy entails differentiation between one's self and other people in comparable situations (Baker et al., 2005). For instance, Hill and Stephens (1997) found that women living on welfare income believe that they are different from other welfare recipients. Fantasy may also be used as a coping strategy in which people separate themselves from their existing stressful circumstances to decrease their stress and change the stressful situation into a pleasing imaginary situation (Baker et al., 2005). For instance, Hill (1992) found that economically disadvantaged children employ fantasy to flee from their ordinary lives. Likewise, Stephens, Hill, and Gentry's (2005) research on women facing intimate partner violence found that women may also use fantasy to escape from their existing stressful situation by imagining themselves as living a better



life. Thus, individuals utilise emotional coping strategies to control their emotions in a given stressful situation (Lazarus & Folkman, 1984). Emotional coping strategies are not action-based; therefore, individuals who only utilise such coping mechanisms to flee stressful circumstances could be unsuccessful in reducing their stress (Lazarus, 1991). Emotional coping strategies could help unbanked consumers to normalise the emotional stress that they encounter due to their financial exclusion. However, these types of emotional strategies might not facilitate them to effectively cope with the issue of financial exclusion. Unbanked individuals also require more practical-oriented mechanisms, i.e. behavioural coping strategies, to tackle the issue of financial exclusion and to take control of their regular financial affairs (Kamran & Uusitalo, 2016b)

Consumers also employ behavioural coping strategies, such as controlling potentially harmful behaviours, shedding one's own reminders of an experience, seeking social support and engaging in deception (Baker et al., 2005, p. 132). Poor consumers often demonstrate resilience against marketplace inequalities. They attempt to take control of their consumption lives through various behavioural coping strategies. Their coping strategies facilitate them to fight against the stigma of poverty and to deal with the issue of resource constraints in different consumption domains (Hamilton & Catterall, 2008, 2007). Financially excluded consumers commonly use their social networks and traditional resources, i.e. social ties and community resources, when their environment creates barriers for them to consume basic financial services. They utilise behavioural coping strategies, which facilitate them to acquire financial products that were otherwise impossible for them to obtain. However, they do not always successfully cope with the issue of financial exclusion through informal resources and subsequently encounter marketplace vulnerability (Wang & Tian, 2014).

There is a dearth of literature on vulnerable consumers coping within diverse consumption contexts (Duhachek, 2005; Yi & Baumgartner, 2004). Some notable researches regarding vulnerable consumers' coping strategies include: studies on people coping with poverty and the impacts of those coping strategies on individual lives (Hamilton & Catterall, 2008); low-income households tackling the stigma associated with poverty (Hamilton & Catterall, 2007); the decision-making and coping of illiterate consumers (Viswanathan, Rosa, & Harris, 2005); homeless children (Hill, 1992); impoverished consumers (Hill & Stephens, 1997); coping strategies of rural migrants in the urban marketplace (Wang & Tian, 2014); and coping strategies of old-aged people (Mathur et al., 1999). A few studies on consumer coping demonstrated the ways consumers cope with negative market-related experiences (Duhachek, 2005; Yi & Baumgartner, 2004). Therefore, there is still great potential for theoretical contributions that explore where consumer behaviour intersects with coping (Duhachek, 2005, p. 42). Earlier research with regards to financial services reveals that vulnerable groups, e.g. poor, are at a higher risk of facing financial exclusion (e.g. Kempson & Whyley, 1999), mainly due to financial institutions' bias towards serving them (e.g. Leyshon & Thrift, 1995). This implies that

economically disadvantaged consumers could face discrimination with regards to financial services acquisition. Consequently, coping strategies may become necessary for economically vulnerable consumers (Hamilton & Catterall, 2008). Further, much of the previous research on coping has focused only on coping strategies employed by vulnerable and disadvantaged people in diverse contexts. Therefore, Hamilton and Catterall (2008) maintained that only emphasising the coping strategies may prevent researchers from gaining important insights that could be obtained by investigating the impacts of those coping strategies on consumers and their families.

### **2.3.1 Consumers coping with financial exclusion**

Financially excluded consumers are compelled to manage regular money matters typically in an informal manner. It is essential for them to make transactions, save money and access short-term credit to bring control to their personal, social and economic lives (Kempson & Whyley, 1999). Previous studies in developed countries indicate that individuals lacking access to basic financial services handle their financial exclusion in a different informal manner, which often has severe repercussions for them (e.g. Kempson et al., 2005; Collard & Kempson, 2005; Kempson & Whyley, 1999). Kempson and Whyley (1999) highlighted that people without a current account decided not to open a bank account in order to keep close control over their money. However, the methods developed by totally financially excluded people to manage their cash budgets were found to be time consuming, entailed charges and usually resulted in paying more for basic household services. For example, individuals paying their utility bills in cash pay more per year than people paying through direct debit (Kempson & Whyley, 1999,1998). Likewise, individuals keeping cash savings in their homes are susceptible to theft (Kempson & Whyley, 1999). Furthermore, they cannot gain interest on their saved money, which banked individuals can earn (Kempson et al., 2005). Unbanked consumers are obliged to make cash purchases, which sometimes can negatively influence self-respect. In some cases, making cash purchases can raise doubts in other's mind that the money might be stolen, which may result in a state of humiliation and lower self-respect for unbanked consumers (Collard & Kempson, 2005).

Unbanked consumers also make use of both informal market resources, e.g. informal money lenders (Kempson & Whyley, 1999), and formal market resources, e.g. mobile money services (Morawczynski, 2009) to take control of their regular financial affairs. Prior studies show that unbanked consumers are at a disadvantage when they utilise informal market resources to meet their financial needs. They risk undergoing psychological, social and financial harm while using informal financial services (e.g. Kamran & Uusitalo, 2016b; Kempson & Whyley, 1999). Mobile financial services provide a formal market resource for unbanked individuals to access financial services in many developing nations (Morawczynski, 2009; Duncombe & Boateng, 2009). The mobile financial services usually facilitate unbanked consumers to control and manage their ordinary financial affairs, e.g. money transfers. This service

provides a secure, convenient (Morawczynski, 2009) and economical option to transfer money (Singh & Shelly, 2010).

Vulnerable consumers are inclined to make use of their respective social network resources to cope with their difficult circumstances, such as exclusion from an essential service (Wang & Tian, 2014). The social network resources form crucial assets for vulnerable consumers, which can be utilised to achieve material gains and to tackle vulnerability (Wang & Tian 2014; Woolcock & Narayan, 2000). Poor consumers often form and maintain close ties with other consumers to cope with the limitations of poverty and illiteracy (Viswanathan, Sridharan, & Ritchie, 2010). Individuals lacking access to formal financial services frequently make use of their own social networks to cope with marketplace vulnerability (Wang & Tian, 2014; Woolcock & Narayan, 2000). In addition, individuals who have access to diverse social networks are in a better position to tackle poverty and vulnerability (Moser, 1996; Narayan, 1995). Social capital stemming from social network improves members' wellbeing (Berkman, Glass, Brissette, & Seeman, 2000). Social capital is the 'aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition which provides each of its members with the backing of the collectively owned capital' (Bourdieu, 1986, p.248). Thus, social capital is linked to an individual's participation and membership in groups (Portes, 1998), making it possible for individuals to accomplish certain objectives, which in the absence of social capital would not be achievable for them (Coleman, 1988). Thus, it is possible for vulnerable consumers to cope with exclusion and marketplace vulnerability by utilising their social networks (e.g. Wang & Tian, 2014). The social networks can take the form of self-help groups, which are voluntarily formed for mutual help and to facilitate individuals to obtain certain objectives (Katz & Bender, 1976).

The literature indicates that low-income unbanked consumers are obligated to cope with their financial exclusion through different informal means. One of the famous options for the unbanked consumers to cope with the issue of financial exclusion in developing countries is to participate in informal economic institutes i.e. Rotational savings and credit associations (Kamran & Uusitalo, 2016b), which is being discussed in the subsequent section.

## **2.4 Informal economic institutions (ROSCAs)**

Rotational savings and credit associations (ROSCAs) are major economic self-help groups, which are ubiquitous in developing countries (Bouman, 1995a). The self-help groups are informal economic institutions (ROSCAs) that offer a platform for unbanked individuals to cope with their financial exclusion. ROSCAs enable them to save money and access short-term loans (Kamran & Uusitalo, 2017; Bouman, 1995a; Callier, 1990). In a ROSCA, savings are pooled by trusted individuals who usually belong to the same neighbourhood. The

members organise meetings at regular intervals, e.g. monthly, and the entire collected money is given to a member in rotation through a lucky draw or by negotiation at each meeting. This process goes on until all the participants obtain the sum of cash they have singly deposited in the ROSCA fund (Basu, 2011; Aliber, 2001; Bouman, 1995b). The ROSCA then formally comes to an end; however, it could be immediately restarted by the same members or roughly by the same members. Its lifetime is dependent on the number of group members and the periodicity of payments (Bouman, 1995b).

Informal institutions are critical in poor countries of the world because formal institutes lack the capacity to serve all the segments of a given society. In addition, the less affluent individuals in low-income countries are usually poorly served by a limited number of formal institutions. Therefore, the presence of informal institutes provides a surrogate of the formal institutes to the inhabitants of the many developing countries (World Bank, 2002). It is worth discussing the difference between an informal and a formal institute. Informal institutions are 'socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels. By contrast, formal institutions are rules and procedures that are created, communicated, and enforced through channels widely accepted as official. This includes state institutions (courts, legislatures, bureaucracies) and state-enforced rules (constitutions, laws, regulations)' (Helmke & Levitsky, 2004, p. 727). ROSCAs have unwritten rules that are not enforced by law but are understood and followed by their participating members who assemble to accomplish common goals, which classifies them as informal economic institutions (Kamran & Uusitalo, 2017; Bouman, 1995a, 1995b).

Both informal and formal institutions can be investigated and scrutinised through the lens of new institutional theory (Marošević & Jurković, 2013). New institutional theory surfaced in the 1970s and achieved enormous attention in the field, together with other types of similar notions that stressed the reliance of contemporary institutes in their respective environments (Meyer, 2008). New institutional theorists approached organisations from a sociological perspective to discover the manner in which organisations or institutions work and affect society in a general way (Scott, 2001; DiMaggio & Powell, 1983). The new institutional theory offered a valuable theoretical foundation for examining a large gamut of problems in diversified research fields (DiMaggio & Powell, 1991). The majority of organisational researchers conjectured a dissimilar and diverse world of institutes. They attempted to give explanations regarding the dissimilarities between different organisations' practices, forms and their way of behaving. Thus, they viewed organisations as heterogeneous when it came to the practices of organisations (Child & Kieser, 1981). In contrast, the new intuitional theorists provided premises to ascertain the causes of similarities or homogeneity in the actions and structures of institutes working in the same area. Thus, the new institutional theorists are eager to explicate the homogeneity within organisations and not the differences (DiMaggio & Powell, 1983). According to the new institutional theorists, i.e. new institutionalism,

organisations are multifaceted societal actors. Their conduct is formed as much by their cultural milieu as by rational calculations and technical imperatives, since the meaning of compliance differs from culture to culture. Therefore, different organisations usually respond to their rule atmosphere with symbolism and through substance. Lastly, symbolic flaunt could function at an environmental level to advance institutional isomorphism and to direct the societal construction of legitimacy (Suchman & Edelman, 1996. p.918). Organisations can flourish by complying with the expectations imposed by the different stakeholders in their environments. The environments of institutions include different parties, e.g. unions, consumer groups, business firms and the community. Therefore, organisations endeavour to satisfy their environment by adopting practices which are viewed as apposite for managing organisations in a given field (Greenwood & Miller, 2010). In other words, organisations desire obtaining legitimacy to function successfully in their particular atmosphere and societal system (Suchman 1995; DiMaggio & Powell 1983). Organisational legitimacy is described as a 'generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (Suchman, 1995, p. 574).

There are slight variations in the management and size of ROSCAs in the context of different countries. However, these informal institutions mainly work in a similar fashion and for analogous objectives across the world (cf. Peterlechner, 2009; Van den Brink & Chavas, 1997; Srinivasan, 1995; Bouman, 1995a). Unbanked individuals commonly perceive that ROSCAs are advantageous and often facilitate their control in saving money and accessing loans (Kamran & Uusitalo, 2017; Aliber, 2001). The group members who receive the ROSCA fund in the initial turns could be considered borrowers as they borrow an amount that is equivalent to their future contributions. These informal economic institutes allow their members to reduce the time it takes for them to accumulate a specific sum of money (Aliber, 2001). Unbanked individuals face a lack of self-discipline to save money, but they can overcome this issue by participating in ROSCAs. An individual's motivation to join a ROSCA is commonly linked to saving money (e.g. Anderson & Baland, 2002; Aliber, 2001) and to comply with various consumption goals, which are otherwise difficult for them to attain. The participants commonly utilise their ROSCA money to buy durable goods (e.g. Handa & Kirton, 1999; Bouman, 1995a), invest in business and for education (Bouman, 1995a). Moreover, ROSCA money is also used to buy dowry items, clothes and to pay for children's fees (Srinivasan, 1995). The rationale of ROSCAs is to mitigate the issues faced by financially excluded consumers in their savings and short-term credit endeavours. Therefore, ROSCAs enjoy a higher level of legitimacy due to the widespread issue of financial exclusion in developing countries (Kamran & Uusitalo, 2017).

Hence, legitimacy is a socially constructed occurrence that reveals a resemblance between the conduct of a legitimate institute and the mutual

beliefs of different community groups. It relies on the shared understanding of a communal group. The legitimacy of an organisation is not negatively influenced by the scepticism of a specific group member regarding a single action or event within an organisation. For example, an organisation may depart from an individual member's expectations and values but still manage to uphold legitimacy, because this type of rare deviation from individual values do not draw joint condemnation (Suchman, 1995, p. 574). The conception of legitimacy explicates the reasons of resemblance between the formations and operations of traditional organisations. This institutional similarity, i.e. homogeneity, is termed 'institutional isomorphism'. Institutional isomorphism is the practice that makes one institute analogous to other institutes with akin environmental situations (DiMaggio & Powell, 1983). Thus, to maintain acceptability in public, organisations obey the norms and practices that are accepted in a particular field (Washington & Patterson, 2011). Isomorphism refers to the idea that institutions in a given field encounter the same demands and pressures from their environment (DiMaggio, & Powell, 1983). DiMaggio and Powell (1983) elucidate the regulatory, social and cultural pressures that organisations encounter from their environments. These three forces or pillars mainly predict organisations' growth and their reactions to diverse contextual demands. DiMaggio and Powell (1983) call these institutional forces that work as mechanics coercive, mimetic and normative. However, Scott (2001) categorised three pillars of institutions' system as regulative, normative and cognitive. Despite a slight variation in labelling of the institutional pillars, both authors' elucidations of institutional pillars are analogous (Ahlstrom & Bruton, 2010). An organisation's legitimacy stems from these three institutional pillars (Scott, 2008; Suchman, 1995).

Regulatory procedures require the capability to form rules, monitor whether others are complying with those rules, and when necessary, utilise rewards or penalties to obtain conformance and desired behaviour from others (Scott, 2008). These regulatory processes can either work through informal means, e.g. involving folkways, or in a highly formalised manner and allocated to specialised players, e.g. police. Thus, the regulatory aspects within an institution stress an enforcement or implementation mechanism, which includes setting rules, monitoring and sanctioning affairs (Scott, 2008). An example of a regulative aspect could encompass the rules and policies of an organisation's agreements, contracts and their implementation by arbitration and negotiation (Henisz & Levitt, 2011). The regulatory aspect of ROSCAs encompass various rules pertinent to both the organisers and participating members (Kamran & Uusitalo, 2017). First, ROSCAs ensure that all participants make their agreed contribution even after taking the ROSCA money or loan. Otherwise, ROSCA functionality will not be possible (Besley et al., 1993). A member could default either before or after receiving the money from a ROSCA fund (Van den Brink & Chavas, 1997). However, default in a ROSCA is an exceptional incidence (Chiteji, 2002). Social collateral determines the success of these informal institutions (Chiteji, 2002; Handan & Kirton, 1999; Besley et al.,

1993). ROSCA members share similar demographic characteristics, such as income, occupation and the area of residency, which enhance the effectiveness of a ROSCAs due to their common need to access informal finances (Bouman, 1995b). Thus, social collateral is utilised to decide on the selection of potential members in the ROSCA, to prevent dishonest individuals from participating in the ROSCA, and to socially penalise the intentional nonpayer, which is a suitable intimidation to encourage compliance from the participating members (Chiteji, 2002). Second, as a rule, the ROSCA organisers are responsible for the payment of money to their members upon their individual turn, which guarantees payment to the ROSCA participant. Lastly, the first ROSCA money is taken by the organisation. However, the sequence of the payments to the members are decided through a draw. The members receiving ROSCA money in earlier turns obtain it as interest-free credit, and they payback the debt through instalments (Kamran & Uusitalo, 2017).

The normative pillar establishes rigid, evaluative and obligatory aspects in social life. Norms define the manner in which things ought to be completed. They classify rightful ways to follow valued ends. Values are ideas of the favoured or the wanted, alongside the creation of standards to which prevailing structures or activities could be compared and evaluated (Scott, 2008, p. 54-55). Thus, the normative pillar introduces the jointly shared expectations of acceptable or rightful behaviour from the members. The normative pillar is manifested in norms, values and social exchange processes (Henisz & Levitt, 2011). Institutions direct their members by explaining desired or appropriate behaviours in different business or social circumstances. Normative forces are normally related to values, i.e. actions which are considered appropriate or desired, and norms, i.e. actions which are taken according to the values. The normative aspect generates standards for institutions and individual members to which they are supposed to comply (Scott, 2008). ROSCAs mostly function in developing countries that have a collectivistic culture. These informal institutions have a strong culture of mutual cooperation amongst the members, which match with the collectivistic cultural values (Kamran & Uusitalo, 2017; Bouman, 1995a). The members are often happy to help each other in difficult economic times by exchanging their money payment turns. This availability of social support enables ROSCA members to circumvent potential difficulties in times of vital economic need. The prevalence of mutual cooperation offers a sense of security to ROSCA members and helps them avoid taking credit from informal lenders. Therefore, mutual cooperation between ROSCA members facilitates them to battle the marketplace vulnerability they could otherwise encounter due to their financial exclusion (Kamran & Uusitalo, 2017).

Lastly, the cultural-cognitive pillar highlights the shared notions that shape the nature of social reality and the frames by which meaning is made (Scott, 2008, p. 57). Cognitive forces encompass that an organisation's continued existence is dependent on its societal acceptance in a particular cultural setting (Scott 2008; DiMaggio & Powell 1983). ROSCA participants' quests for mutual goals are demonstrated in their shared assumption of the liability to save

money. The pursuance of shared goals helps them to fulfil difficult consumption goals and commonly enables the participants to access short-term credit (Kamran & Uusitalo, 2017; Bouman, 1995a). The participation of low-income consumers offers them an avenue to tackle marketplace vulnerability, which they could encounter due to their financial exclusion (Kamran & Uusitalo, 2017).

The above discussion highlights that financial exclusion obligates unbanked consumers to find ways to arrange their financial matters informally, and ROSCAs represent one of the major viable options for that purpose. It is expected that financially excluded individuals would experience vulnerability when they utilise informal means to manage their financial affairs (Kamran & Uusitalo, 2016b; Wang & Tian, 2014; Kempson & Whyley, 1999). Discussing ROSCAs through the lens of new institutional theory reveals that they encompass all the institutional pillars, i.e. regulative, normative and cognitive, necessary for the smooth functioning of any institution (Scott, 2001). Researchers have mostly focused on formal institutions and their affects in different life streams have been explored. However, research on informal institutions remains somewhat scant due to a lack of attention towards informal institutions (Marošević & Jurković, 2013). It is rather unclear how the characteristics of informal institutes (ROSCAs) facilitate unbanked consumers to control and manage their finances, and assist unbanked consumers with tackling marketplace vulnerability.

Financial exclusion instigates experience of vulnerability to low-income unbanked consumers. They encounter various negative consequences in an effort to manage their financial matters in informal ways (Kamran & Uusitalo, 2016a; 2016b; Kempson & Whyley, 1999). Low-income consumers are not unbanked owing to their personal choice (e.g. Solo, 2008) but banks created barriers are often cited as major source of their exclusion from the mainstream financial services. Banks could be unfair in serving the economically vulnerable consumers (Kamran & Uusitalo, 2018; Kempson & Whyley, 1999; Chéron et al., 1999; Kempson, 2006) and such unfairness can be scrutinized from viewpoint of organization justice theory, which is commonly used in investigating organizations' fairness towards their customers (Seiders & Berry, 1998).

## 2.5 Organisational justice

The concept of organisational justice was proposed by Greenberg (1987), who explained the way individuals judge the actions of organisations, and their resulting behaviours and actions. Apart from the other application of organisational justice, such as corporate social responsibility and business ethics, the organisational justice components have been widely applied in services marketing research (e.g. Davidow, 2003; Tax, Brown, & Chandrashekar, 1998; Blodgett, Hill, & Tax, 1997). The customer evaluates the level of fairness by service providers (Seiders & Berry, 1998). Seiders and Berry



(1998) defined service fairness as 'a customer's perception of the degree of justice in a service firm's behavior' (p. 9). Organisational fairness is often scrutinised with the help of three justice components, i.e. distributive, procedural and interactional justice. All three justice components play a unique role in service fairness (Seiders & Berry, 1998).

In marketing, distributive justice implies how benefits and burdens are allocated between different stakeholders who are affected by the marketing activities. More specifically, it is how organisations deal with different parties in terms of fair rewards and penalties when there is a power imbalance between the organisation and other parties, such as consumers, suppliers and workers (Laczniak & Murphy, 2008). Deutsch (1975) defines distributive justice as being 'concerned with the distribution of conditions and goods which affect individual wellbeing' (Deutsch, 1975, p. 137). The application of distributive justice in organisations has an ethics aspect as it entails ensuring fairness in the distribution of resources (Laczniak, 1999). However, the market sometimes does not function in favour of those who are vulnerable, i.e. the poor, and shuns serving them due to their lack of profitability (e.g. Kennedy & Laczniak, 2016; Chéron et al., 1999). Distributive justice also encompasses a policy element because marketplace inequalities in resource distribution, i.e. distributive injustice, can be tackled by the policymakers and legal regulations (Gundlach & Murphy, 1993). Marketers can ensure the provision of basic products and services to the poor through better marketing strategies, which can mitigate their suffering and improve their long-term wellbeing (e.g. Kotler, Roberto, & Leisner, 2006).

Deutsch (1975) highlighted equity, equality and need as the three principles of distribution, and each of these would bring different outcomes to the organisations and their stakeholders. The resource allocation objectives and the type of relationships among the different stakeholders determine particular distribution choices. Deutsch maintained that the equity principle will dominate when the focus is on achieving better financial output (Deutsch, 1975). This means that the participants' rewards are proportionate to their input in an economic exchange. For instance, a seller may offer some discounts on purchases to the profitable and loyal customer (Seiders & Berry, 1998). Second, equality would be a key standard for maintaining pleasant social relationships (Deutsch, 1975). Here, all the participants in an economic transaction are entitled to the same treatment regardless of their contribution (Seiders & Berry, 1998). Lastly, need will be a leading rule when the aim is individual welfare (Deutsch, 1975). In this way, the resources are allocated according to the needs of the participants (Seiders & Berry, 1998). For instance, allocating more financial resources to open new bank branches in rural areas would provide villagers who are commonly excluded in developing countries with access to basic banking services (Kamran & Uusitalo, 2016a).

A procedure refers to a particular way of accomplishing an outcome. Procedural justice concerns the customers' perception of fairness in organisational procedures and policies (Chung-Herrera, 2007; Blodgett,

Granbois, & Walters, 1993; Tax et al., 1988). Hence, it refers to the procedures or systems employed in deciding outcomes. Consistency, avoidance of self-interest, reduction of information errors, correcting wrong decisions, representativeness and ethicality are considered six main principles of procedural justice. Implementing these procedural rules can enhance customers' service fairness perceptions in different service settings (Seiders & Berry, 1998, p.10). The powerful party should treat the vulnerable consumers through fair procedures (Kumar, 1996). However, a procedural justice breach is noticeable when different customers in similar contexts are given dissimilar procedural treatment by the service firms (Chung-Herrera, 2007).

The interpersonal treatment customers receive from service firms is known as interactional justice. It is delineated by attributes of interpersonal behaviour rather than by official rules. These aspects encompass honesty, respect, professional decorum, courteous manner and candour (Seiders & Berry, 1998, p.10-11). Other characteristics of interactional justice are neutrality (Namkung & Jang, 2009), expressing concern, friendliness, politeness, sensitivity (Clemmer & Schneider, 1996), communication, trust (Blodgett et al., 1997) and apology (Goodwin & Ross, 1992). Thus, it is the types of treatment received by the customers from the service organisations' employees (Tax et al., 1998; Blodgett et al., 1997). Interactional justice has two elements. The first is informational justice, which refers to the correctness of explanations and providing information in an accurate, honest and timely manner. The second, interpersonal justice, is related to the manner in which customers are treated by the service employees. Customers' evaluations of interactional justice heavily rely on the way service firm employees treat them (Tax et al., 1998).

Interactional justice is important in services to ensure customer satisfaction as most services require the service firm employees to interact with consumers (Guiry, 1992). However, it is well documented that service firms often show a lack of respect towards vulnerable consumers, possibly due to their lack of reaction against unfair treatment (Seiders & Berry, 1998). This type of interactional injustice by service employees is evident in the financial sector where the poor face negative attitudes from financial service providers (Fuller & Mellor, 2008; Kempson, 2006; Chéron, et al., 1999). Although the internet has become a vital tool for consumers to complete many transactions, several customers may prefer interpersonal interactions (Colgate & Smith, 2005). This is due to the fact that low-income consumers often perform poorly in different welfare fields, such as education (Ekström & Hjort, 2009), and may require additional support from customer service employees to complete purchases (Brennan, 2006). Low-income consumers also express that their access to financial products is hindered by a low level of literacy (Chéron et al., 1999). Kempson and Whyley (1999) showed that low-income consumers value face-to-face contact for their transactions and are not comfortable using newer technology-based systems. Some researchers have even speculated that technology cannot completely replace interpersonal relationships in commercial banks (Howcroft & Durkin, 2000).

Customers have a need for justice and they want to be treated in a fair manner compared to other customers (Chung-Herrera, 2007). However, firms can commit many justice violations in the distribution of resources, procedures and interactions with different customers, even in similar situations (Chung-Herrera, 2007; Seiders & Berry, 1998). Customers determine whether or not they have been treated fairly by a service provider (Seiders & Berry, 1998). Previous literature has highlighted banks' unfairness towards the financially vulnerable (e.g. Koku, 2009; Carbo et al., 2007; Kempson & Whyley, 1999). This study addresses low-income unbanked consumers' perceptions regarding the fairness of banks by applying the justice components and further explores how perceptions of unfairness subject the poor to feeling vulnerable.

## **2.6 Transformative service research (TSR)**

In the contemporary world, different marketing practices are continuously being scrutinised by researchers on moral grounds. There has been a lot of criticism of conventional marketing practices, arguing that these do not result in consumer wellbeing. The core concept of marketing proclaims that customers are superior, but in reality, marketing as a system often undermines their sovereignty and supremacy (e.g. Kennedy & Laczniak, 2016; Alvesson, 1994). For instance, affluent and less affluent consumers are given a different reception by businesses (Kennedy & Laczniak, 2016), which often raises concerns regarding the welfare of economically deprived individuals. These unfair practices often raise ethical issues in the marketing system. For example, discriminatory business practices may lead to exclusion and marginalisation of vulnerable consumer groups, which adversely affects their wellbeing (Wang & Tian, 2014). Although, the debate of ethical marketing practices and consumer welfare is not new. Macromarketing domain has investigated societies and consumers' wellbeing related issues since 1970's (Layton & Grossbart, 2006). However, a decade-old movement of the Association for Consumer Research (ACR) called 'Transformative Consumer Research'(TCR) re-emphasised consumer wellbeing by motivating, encouraging and publishing researches that fostered consumer wellbeing and a quality of life for all beings affected by consumption across the world. The purpose of reiterating and stressing TCR has been to reinforce the importance of the consumer welfare concept to consumer researchers, policymakers and other important stakeholders (Mick, 2006). TCR investigates the issues faced by contemporary consumers with the aim of enhancing their wellbeing. TCR has a direct practical orientation, but it equally values the use of appropriate methodologies and theories to understand consumers' problems with the aim of offering actionable policy implications to uplift their wellbeing in various consumption spheres (Mick, 2006). The TCR notion of wellbeing has a broad spectrum and includes both products and services as well as all types of consumption contexts (Mick, 2006). Service organisations were also exclusively criticised on the grounds that they failed to

offer better services to their customers that they deserved. Service organisations are blamed for ignoring, poorly treating and damaging customers' wellbeing by under serving consumer groups who need a particular service (Rosenbaum et al., 2011; Fisk, 2009). However, in the contemporary age, caring and trusting customers, serving the unserved, i.e. excluded customers, and enhancing service levels have become vital (Fisk, 2009).

Therefore, a few service marketing researchers bifurcated wellbeing related services research from TCR (e.g. Anderson et al., 2013; Ostrom et al., 2010) and introduced the research field of TSR, which can be considered an offshoot of TCR (Anderson et al., 2013). TSR emphasises conducting research solely related to services that advance impartial services for the welfare of human beings and the ecosystem (Corus & Saatcioglu, 2015; Anderson et al., 2013; Ostrom et al., 2010). Anderson, Ostrom, and Bitner et al. (2011) define TSR as 'the integration of consumer and service research that centres on creating uplifting changes and improvements in the well-being of consumer entities: individuals (consumers and employees), communities and the ecosystem' (p.3). Ostrom et al.(2010) define TSR as 'service research that centers on creating uplifting changes and improvements in the well-being of both individuals and communities'(p. 9). It aims to promote improving the life quality of individuals and collectives through services (Baron, Warnaby, & Hunter, 2014; Anderson et al., 2013, 2011; Ostrom et al., 2010).

Marketing philosophy declares that customers should be given preference over the business interests. However, in reality, we often notice many service firms deviating from this core marketing philosophy (Kennedy & Laczniaik, 2016). Laczniaik and Murphy (2006) asserted that marketing systems exist to facilitate and serve public interests, which suggests that consumers in marketing transactions should not only be seen as a source of generating profits. However, when it comes to basic services, economically disadvantaged individuals are mostly ignored by different service firms due to their poverty (e.g. Fisk et al., 2016; Fisk, 2009). Service organisations have the potential to affect the wellbeing of consumers in both positive and negative ways. However, the world's less affluent individuals often lack access to essential services, which negatively affects their wellbeing (Fisk et al., 2016; Anderson et al., 2013). Market researchers should engage in studies that offer the possibility of resolving actual problems faced by consumers, so that findings could lead to actionable implications for improving consumers' wellbeing in different consumption spheres (Fisk et al., 2016; Mick, 2006). Previously, service researchers explored topics that were managerially relevant, but their investigations had very little or no impact on consumer wellbeing. TSR addresses this gap by exclusively focusing on factors that enhance human wellbeing (Rosenbaum, 2015).

A lack of research in the service marketing realm is evident when it comes to investigating how service organisations could potentially improve their customers', employees' and society's wellbeing (Rosenbaum, 2015; Anderson et al., 2013; Rosenbaum et al., 2011). In line with the above scholars, Anderson et

al. (2013) proposed a wellbeing-related research agenda, i.e. TSR, in three key service sectors—financial services, social services and health care. TSR is a comparatively new research paradigm in the realm of services as it emerged in the 2000s (Rosenbaum, 2015), but research under the umbrella of TSR is gradually growing. According to Anderson et al.'s (2013) agenda, TSR has been recently carried out with the aim of enhancing the wellbeing of various service entities in different important sectors, such as healthcare (e.g. Anderson, Nasr, & Rayburn, 2018; Davis, Mohan, & Rayburn, 2017), social services (e.g. Hepi et al., 2017; Finsterwalder et al., 2017) and financial services (e.g. Sanchez-Barrios Giraldo, Khalik, & Manjarres, 2015; Martin & Hill, 2015; Wang & Tian, 2014).

Due to TSR's infancy, several eminent service researchers extended the call for action to the service research community with the aim of enhancing consumer welfare in different service settings. However, a specific emphasis was placed on the vulnerable consumers, i.e. low-income consumers of developing countries (e.g. Fisk et al., 2016; Reynoso et al., 2015; Gebauer & Reynoso, 2013), because they are commonly marginalised and excluded from various basic services, which impedes their welfare (e.g. Fisk et al., 2016). Service research on less affluent consumer groups is crucial since the already existing researches and theories built on samples collected from economically privileged customers may not be relevant to low-income segments (Reynoso et al., 2015; Gebauer & Reynoso, 2013). Since the inception of the TSR movement, some research related to the wellbeing of vulnerable consumers has been published in various leading journals, such as the accessibility of disabled consumers to sports events (Dickson, Darcy, Johns, & Pentifallo, 2016), Chinese old-aged consumers in the context of the tourism and hospitality industry (Zhou, Yu, Wu, Wall, & Pearce, 2018), services for human trafficking survivors (Loomba, 2017), mobilisation of social capital amongst vulnerable consumers after a natural disaster (Cheung, McColl-Kennedy, & Coote, 2017), healthcare services for immigrant consumers (Davis et al., 2017), the effects of social support on children's service quality perceptions and wellbeing (Van Dolen & Weinberg, 2017), the positive effects of consuming informal financial services, i.e. loan sharks, on the wellbeing of economically vulnerable consumers (Sanchez-Barrios et al., 2015), poor consumers' savings and wellbeing (Martin & Hill, 2015) and marketplace vulnerability of rural migrant workers due to their financial exclusion (Wang & Tian, 2014).

Specifically, in the context of financial services, the worth of research in relation to financial services' effects on less-privileged consumers is also promoted through the TSR agenda. Access to basic financial services is deemed to be a vital element for the welfare of present-day consumers (Anderson et al., 2013) and many consumers of developing countries remain underserved or unserved (Martin & Hill, 2015). Until now, a handful of TSRs have been conducted on poor consumers of financial services in developing countries (e.g. Sanchez-Barrios et al., 2015; Martin & Hill, 2015) who are worthy of being served in a better way by financial service organisations (Fisk et al., 2016). They desperately require innovative services such as access to micro-finance.

Therefore, to facilitate their inclusion and wellbeing, both service researchers and service firms should adopt a customer viewpoint (Koku, 2015; Fisk, 2009). However, much of the research in the realm of financial services was carried out by scholars from other domains, e.g. economics, finance and public policy. Thus, service researchers could provide valuable contributions for enhancing financial service consumers' wellbeing due to their distinctive understanding about service firm processes (Anderson et al., 2013).

Researchers have investigated some questions related to the wellbeing of vulnerable consumers of financial services. Wang and Tian (2014) explored problems encountered by migrant workers in acquiring basic financial services from mainstream financial institutions, i.e. personal loans, in the Chinese marketplace. Martin and Hill (2015) utilised a sample of more than 50,000 customers from 38 countries to investigate the ways in which social poverty, personal saving capability and satisfaction with one's household financial circumstances effect the welfare of poor consumers. Sanchez-Barrrios et al. (2015) studied the unintended positive effects of informal financial service providers' practices, i.e. loan sharks, on the welfare of poor consumers in Colombia. The shortage of research on financial exclusion opens up avenues to investigate the issues of unbanked consumers in the developing countries context. The research on unbanked consumers from their own perspectives could lead to actionable implications for financial service providers, which could foster the financial inclusion and wellbeing of the poor (Koku, 2015).

This doctoral research utilized literature from various domains. Table 1 summarizes details about purpose of theory and literature utilization and the theoretical and practical contributions in the articles included in this dissertation.

TABLE 1 Summary of purpose of utilization of literature and contributions

Theory	Utilizes	Contributes to	Practical guidelines	Used in articles
Financial exclusion	To understand (a) low-income consumers powerlessness owing to their financial exclusion; (b) the coping mechanisms devised by unbanked consumers to tackle with their exclusion and marketplace vulnerability; and to ascertain consequences of various coping strategies for unbanked consumers.	Financial exclusion and consumer vulnerability literature by elucidating powerlessness of low-income unbanked consumers in managing their routine financial matters.	Practical guidelines for financial inclusion of low-income consumers and for mitigating their experience of vulnerability are provided.	Article 1 & 2
Consumer vulnerability	To comprehend (a) how financial exclusion	Financial exclusion and consumer vulnerability		Article 1, 2 & 4

y	renders unbanked consumers powerless in the marketplace; (b) coping mechanisms devised by unbanked consumers to tackle with financial exclusion problem and their consequences; (c) how low-income consumers perceive fairness of banks policies and processes and how those perceptions are linked to their powerlessness.	literature by (a) illustrating the ways in which financial exclusion renders the unbanked consumers powerless in the marketplace. (b) elucidating powerlessness of low-income consumers in managing their routine financial affairs in various informal manners. (c) highlighting the role of external factors in low-income consumers exclusion and vulnerability.		
Consumer coping strategies	To understand various coping strategies devised by unbanked consumers to tackle with financial exclusion problem and their consequences.	Financial exclusion and consumer vulnerability literature by illustrating that unbanked consumers devise various coping mechanisms to tackle with their financial exclusion issue but their lack of informal resources often impede their control in managing their financial affairs without a formal bank account.		Article 2
Institutional theory	To understand ROSCAs institutional characteristics in facilitating unbanked consumers to tackle with their financial exclusion and vulnerability. Utilization of new institutional theory helped to elucidate how institutional pillars of Committees help the autonomy of low-income unbanked consumers and mitigate their powerlessness.	Financial exclusion and consumer vulnerability literature by elucidating informal institutions inability in facilitating control to unbanked consumers in managing their ordinary financial matters.	Practical guidelines are provided for financial inclusion of low-income consumers. It offers suggestions for groups lending; micro-finance; and saving accounts for low-income unbanked consumers.	Article 3
Justice	To comprehend banks	Consumer vulnerability		Article

Theory	fairness towards low-income consumers and how consumers perceived unfairness about sellers cause them vulnerability.	literature by explaining how service providers unfairness cause an experience of vulnerability to their customers.		4
Transformative service research	To promote financial inclusion, fairness, and wellbeing of low-income consumers.	Consumer vulnerability literature by highlighting the role of researchers in enhancing marketplace fairness for vulnerable consumers for mitigating their experience of vulnerability.	Provide practical guidelines for financial inclusion of the poor; for mitigating their experience of vulnerability and for enhancing their well-being.	Article4

## 2.7 Chapter summary

Financial exclusion is a global problem, but its magnitude is much bigger in developing countries (Demirguc-Kunt et al., 2015). This doctoral dissertation addresses the widespread issue of financial exclusion of low-income unbanked consumers in a developing country context. First, given the shortage of research on low-income unbanked consumers' marketplace experiences (Koku, 2015), it was deemed viable to unpack the actual vulnerability that they encounter in their daily lives due to financial exclusion. Therefore, this research gap justifies a study to understand the marketplace vulnerability of unbanked consumers. Second, there is a general lack of research on consumers' coping strategies, which they utilise to deal with stressful circumstances in different consumption spheres. In addition, researchers have commonly neglected to examine the consequences of consumers' coping strategies (Hamilton & Catterall, 2008). Unbanked consumers could devise coping mechanisms to combat the issue of financial exclusion in an effort to alleviate their marketplace vulnerability (Kamran & Uusitalo, 2016b). The financial exclusion literature does not explicitly address how unbanked consumers cope with their financial exclusion and the consequences of such coping strategies. This research gap warrants a study on unbanked consumers' coping strategies and their consequences. Third, the presence of informal economic institutions in developing countries, such as ROSCAs, provide a platform for unbanked consumers to tackle the issue of financial exclusion, particularly in the savings and short-term credit



realms. Previous researchers have ignored examining the role of informal economic institutions, i.e. ROSCAs, in facilitating unbanked consumers to take control of their financial affairs. Therefore, there is great scope to explore ROSCAs role in helping unbanked consumers cope with financial exclusion. Finally, the literature suggests that banks' prejudice against serving low-income consumers represents one of the major barriers to their financial inclusion. The banks' justice elements hamper low-income consumers from accomplishing their consumption goals, which could lead them to experience vulnerability (Baker et al., 2005). Previous researchers ignored exploring the role of service providers' unfairness in making their consumers feel vulnerable. Therefore, this research also addresses the issue of banks' unfairness towards low-income unbanked consumers. It explores low-income consumers' perceptions regarding the banks' fairness towards them and the way those perceptions contribute to their experiences of vulnerability.

Investigating the effects of financial services on the lives of economically vulnerable consumers is considered vital in the TSR manifesto (Anderson et al., 2013). The provision of financial services is very important for the smooth financial lives of contemporary consumers, but a lack of access to basic financial services is detrimental to their welfare (Wang & Tian, 2014). Their financial exclusion imposes considerable costs on them to manage their routine financial affairs (Solo, 2008). Financially excluded consumers commonly undergo marketplace vulnerability due to their situation (Wang & Tian, 2014), which is associated with different kinds of harm, such as psychological, social and financial (Smith & Cooper-Martin, 1997). Furthermore, consumers can undergo marketplace vulnerability due to their lack of control on internal and external circumstances. Uncontrollable external environmental factors, e.g. banks' discrimination, are commonly cited as major reasons for the financial exclusion of the poor and their onward experiences of vulnerability (e.g. Wang & Tian, 2014). Service researchers can promote transformation in the way banking business is conducted to enhance the financial inclusion and wellbeing of the poor (Fisk et al., 2016). TSR explores how service exchanges could transform and enhance the wellbeing of service customers (Corus & Saatcioglu, 2015; Anderson et al., 2013). TSR encourages service researchers to emphasise lessening consumer vulnerability and developing consumer agency (Corus & Saatcioglu, 2015). In addition, service researchers should understand the issues of low-income unbanked consumers from their personal standpoint, which can help them promote their financial inclusion and wellbeing (Koku, 2015). Overall, this doctoral research investigates the marketplace vulnerability of low-income unbanked consumers. The findings of this study help to propose ways to alleviate the vulnerability of low-income unbanked consumers and uplift their financial inclusion and wellbeing. Thus, the present research is relevant to TSR because enhancing consumer wellbeing through access and well-designed services is the focus of TSR (Anderson et al., 2013; Ostrom et al., 2010).

TSR offers direct practical implications, but it utilises an appropriate methodology and theory to understand consumers' issues. Hence, TSR also makes theoretical contributions, but its practical implications are aimed at enhancing consumers' or other service entities' wellbeing (Fisk et al., 2016; Rosenbaum, 2015). The TSR paradigm promotes the utilisation of theories from other academic disciplines, such as consumer research. This could help to comprehend the way service firms and their processes can uplift consumer welfare in different service contexts (Rosenbaum, 2015). This doctoral research utilises different theories, such as consumer vulnerability, justice theory and new institutional theory, which facilitate comprehending the marketplace vulnerability of low-income unbanked consumers in various circumstances. The four research papers included in this doctoral dissertation approach the issues of unbanked consumers from different angles. This study's findings contribute to financial exclusion literature. This research also adds to consumer vulnerability literature by demonstrating serious problems encountered by low-income unbanked consumers due to their financial exclusion. Moreover, this study's findings help researchers to offer valuable practical contributions to better serve low-income unbanked consumers and to uplift their welfare. The theoretical and practical contributions of this doctoral research are discussed in detail in Chapter 5, Discussion and Conclusions. Figure 1 shows the linkage among various concepts that are discussed in the theoretical background chapter.

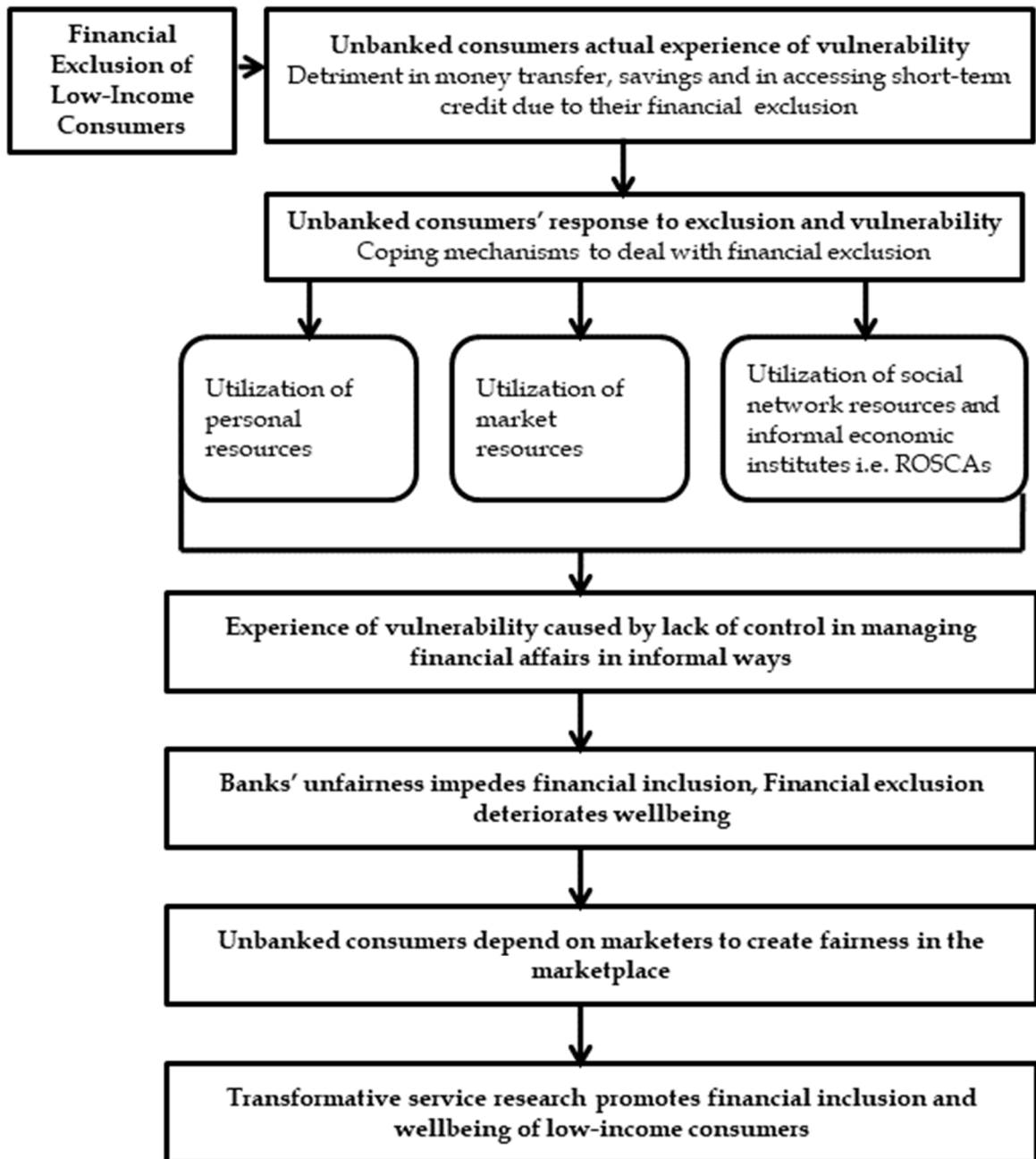


FIGURE 1 Linkage between various concepts discussed in the literature

## **3 METHODOLOGICAL CHOICES**

Research methods are closely linked to the research philosophy, which make it possible to produce valid fresh knowledge through research (Myers, 2013; Eriksson & Kovalainen, 2008). Ontology, epistemology and methodology are the key components of the research philosophy, which some eminent researchers term a paradigm (Guba & Lincoln, 1994; Burrell & Morgan, 1979). In this chapter, I will explain the ontological and epistemological assumptions of my research and also the methodology and methods utilised to complete this research.

### **3.1 Ontological and epistemological assumptions**

#### **3.1.1 Ontological assumptions**

'Ontology is the branch of philosophy concerned with the nature of existence and the structure of reality' (Tadajewski, 2004, p.314). It concerns the ideas regarding the existence of and relationships among people, society and the world in general (Eriksson & Kovalainen, 2008, p.17). Ontology refers to a particular stance towards the world that researchers study (Tadajewski, 2004). Objectivism and subjectivism are two broad ontological positions regarding the study of the conception of reality. An objective ontological stance is aligned with quantitative research. It presumes that the social world exists independent of individuals, their activities and actions (Bryman, 2016; Eriksson & Kovalainen, 2008). The second view is subjectivism, which assumes that social phenomenon and their meanings are frequently being created by social actors. It entails that social phenomenon are not only constructed by social interactions but are in a constant state of revision (Bryman, 2016, p. 29). In subjectivism, reality is regarded as subjective, which implies that it rests on the perceptions and experiences that could be different for every individual, and vary in different times and situations (Eriksson & Kovalainen, 2008).

While there are two broad ontological positions, a study might not be positioned in an extreme subjective or objective ontology. There can also be a mix of both a subjective and an objective ontological stance in a study. Morgan and Smircich (1980) offer six different ontological positions that explain the extent of individual subjectivity that is required to explain reality. On one end of the continuum, they show an extreme objectivist approach to social science, i.e. 'reality as a concrete structure'; and on other side of the continuum, they show an extreme subjectivist approach to social science, i.e. 'reality as a projection of human imagination'. However, there are four different ontological positions along the continuum that portray different levels of individual participation and intersubjectivity in the creation of truth (p. 492). Although this study leans more towards a subjective ontology, there is a combination of both the objective and the subjective ontology in this doctoral research. First, the study participants are characterised as vulnerable due to their low-income and financial exclusion. Thus, some objective facts are assumed to determine vulnerability. Therefore, the context is rather objective, i.e. 'reality as a contextual field of information'. Second, I presume 'reality as a social construction' (Morgan & Smircich, 1980, p.492) and this ontological position is associated with subjectivity, i.e. social world meanings. The low-income unbanked consumers could perceive and experience marketplace vulnerability differently. Therefore, the researcher's role is to investigate their experiences of 'actual vulnerability' (Baker et al., 2005) through an appropriate research design, i.e. semi structured in-depth interviews, to expose their everyday sufferings due to financial exclusion.

### **3.1.2 Epistemological assumptions**

Epistemology is related with the questions: 'What is knowledge?' and 'What are the sources and limits of knowledge?' (Eriksson & Kovalainen, 2008, p.18). Both ontological and epistemological claims are closely related and these are generally discussed together. In general, epistemology explains the way knowledge could be produced and argued for. It provides us a criterion through which possible knowledge can be created, as epistemology offers an answer to the question regarding the scientific knowledge creation practices and processes (Eriksson & Kovalainen, 2008).

Guba and Lincoln (1994) put forward four fundamental paradigms for social research, which are termed positivism, post-positivism, critical theory and constructivism. First, positivism is when the researcher and the researched objects are presumed to have an independent existence, and the researcher is capable of investigating the object without affecting it or being affected by it. This implies that both the researcher and the researched individuals or groups can be separated and both have independent existences. Biases are avoided from affecting the results; consequently, the prescribed processes are thoroughly pursued. Replicable results are absolutely correct. Second, post-positivism is when objectivity is practiced by keeping in view the potential biases. Contrary to the positivism ideology, post-positivism stresses that the

researcher could affect or be affected by the phenomenon being observed. The researchers in post-positivism presume that reality exists, but it can only be comprehended imperfectly; therefore, it is subject to falsification. Third, critical theory is when the researchers see the world as subjective. The researchers and the researched individuals are presumed to be interactively associated. That is both the researcher and the study subjects inevitably affect the investigation (Guba & Lincoln, 1994). Finally, constructivism, which is also known as subjectivism (Eriksson & Kovalainen, 2008). This epistemology is most similar to the critical theory paradigm, which assumes reality as a socially constructed phenomenon, i.e. subjectivism or interpretivism. This stance of subjectivity also presumes that knowledge is only available through the social actors (Eriksson & Kovalainen, 2008; Guba & Lincoln, 1994). Although, there are many points of convergence between critical and constructivism paradigms, the ideologies of these two are fairly different. The subsequent section offers a comparison of both paradigms and elucidates the positioning of the current study.

The current research possesses interpretive aspects, but it leans more towards the critical research paradigm. Yet, both critical and interpretive studies are similar in several ways. Both types of researches benefit from subjectivism and presume that reality is socially constructed (Myers, 2013; Eriksson & Kovalainen, 2008; Tadjewski, 2004). Both interpretive and critical researchers recognise the double hermeneutic, which is the subject to subject connection to their field of research. They aim to deeply understand the context of a phenomenon and tend to understand the meanings of a specific context. This means that the research must speak a similar language as the people being investigated, or at least the researcher should be able to comprehend an interpretation of what was said by those being researched. Both researchers attempt to focus and understand meanings of a phenomenon in a specific context, e.g. culture or social class. Thus, the connotation of a social phenomenon is dependent upon the context as it conveys the socially created reality of the population being researched. Likewise, in both paradigms, generalisations of the research results are mostly limited to the context being studied (Myers, 2013), e.g. low-income unbanked consumers. Nevertheless, there are some differences between critical and interpretive studies (Myers, 2013; Eriksson & Kovalainen, 2008). Critical research attempts to appraise the status quo through the revelation of what are supposed to be entrenched, structural contradictions in societal systems, and thus, change these alienating and restrictive social circumstances (Orlikowski & Baroudi, 1991, p.5-6).

Interpretive research is just intended to explicate the status quo but the critical studies try to critically assess and transform the social reality being studied. Critical research critiques the social structures and discloses any incongruities, unfairness and conflicts that could exist in their systems or structures (Orlikowski & Baroudi, 1991). Critique in critical studies implies a reflection on a structure of humanly created constraints that prevent self-fulfilment for individuals, groups of people or society as a whole (Connerton, 1976, cited in Myers, 2013). Critical researchers identify prevailing social issues

and foster social change (Danermark, Ekström, Jakobsen, & Karlsson, 2002; Burrell & Morgan, 1979). The critical researchers believe that elucidating reasons of domination would bring about pragmatic attempts to remove or resolve the issue (Danermark et al., 2002). The role of critical researchers is not only to develop sound descriptions and understandings of a social situation. They must also offer an analysis of unfair and discriminatory circumstances from which individuals need emancipation (Nywenyama & Lee, 1997, p. 151). A researcher adhering to critical epistemology could offer some suggestions for improvements after critiquing an existing social situation, but the degree to which a critical researcher proposes improvements differ significantly in different contexts. Nevertheless, the notion of emancipation is advanced by the majority of a group of critical researchers from the Frankfurt School (e.g. Habermas). The idea of emancipation refers to liberating individuals and groups from untrue and undesirable ideologies, suppositions and constraints (Myers, 2013; Ngwenyama & Lee, 1997). Emancipation is the course by which human beings are liberated from oppressive societal and ideological circumstances, particularly those that set unwanted constraints on the progress and expressions of human awareness (Alvesson & Willmott, 1992, p. 432).

Both interpretive and critical researchers assume that reality is socially constructed and their epistemological assumptions are subjectivist (Guba & Lincoln, 1994). This study's epistemological position is subjectivist or interpretive, but it is positioned in the critical study paradigm. The subjectivist epistemological stance allowed the researcher to interact with low-income unbanked consumers to comprehend their actual experiences of vulnerability. The insights gained from the low-income consumers facilitated the researcher to analyse the issue of financial exclusion and to offer suggestions for positive transformation in the financial services sector, which could facilitate unbanked consumers' financial inclusion and wellbeing. All four doctoral dissertation papers provide insights into the issue of financial exclusion amongst economically disadvantaged consumers. The doctoral research articles also provide critique that financial exclusion creates inequality and hampers the wellbeing of the poor as they encounter several kinds of harm due to their financial exclusion. The research articles encompass several suggestions to foster financial inclusion and the wellbeing of the poor. My doctoral research in totality uplifts the idea of the emancipation of low-income individuals from humanly created barriers in the context of the financial services sector, which plays the most significant role in making the poor unbanked.

## **3.2 Methodology**

Methodology provides the answers to the questions of how we come to know the world. Both epistemology and methodology are related concepts, but methodology has a more practical orientation than epistemology (Eriksson & Kovalainen, 2008). Methodology deals with the common principles of the

creation of fresh knowledge. It refers to the justifications and the philosophical presumptions that underlie any research, whether expressed or not (McGregor & Murnane, 2010, p. 420). Methodology should be aligned with the ontological and epistemological assumptions made by a researcher (Guba & Lincoln, 1994). As mentioned above, the ontological and epistemological assumptions of this research are mainly related to the subjective world. My doctoral research study's focal aim was to understand how low-income unbanked consumers experience marketplace vulnerability due to their financial exclusion, which remains an under-researched topic. The semi-structured in-depth interviews are deemed appropriate to investigate consumers' related issues that have been previously ignored by researchers and which will allow them to deeply understand their study topic (Belk, Fischer, & Kozinets, 2013, p. 6).

This research is associated with vulnerable consumers, and researchers working in this field have commonly utilised qualitative research methods such as interviews (e.g. Piacentini, Hibbert, & Hogg, 2013; Hamilton & Catterall, 2008; Adkins & Ozanne, 2005). This study is related to low-income consumers' exclusion from the financial services sector. Low-income groups often perform poorly in other welfare fields such as education and work (Ekström & Hjort, 2009). A vast majority of the study participants were either illiterate or less literate, which inevitably make semi-structured interviews the most suitable approach to collect primary data. The less literate and illiterate are generally not able to participate in survey research. Therefore, semi-structured interviews are a better option for consumer researchers to gain a deep understanding of their study topic whereby study participants have the opportunity to talk about the issues (Belk et al., 2013). The philosophical assumptions of this doctoral research are endorsed by previous researchers working in the realm of consumer vulnerability. For instance, Smith and Cooper-Martin (1997) assert that actual experiences of vulnerability can only be disclosed by listening to and observing consumers' experiences. This approach to investigate consumer vulnerability firmly supports the collection of data through semi-structured interviews from low-income unbanked consumers. Moreover, researchers are motivated to explore the real vulnerability of consumers to inform public policymakers and marketers (Baker et al., 2005, p. 128). This depicts that studies related to consumer vulnerability and vulnerable consumers have a transformative angle as these studies often advocate the protection and wellbeing of underprivileged consumers (e.g. Baker et al., 2005).

### **3.3 Methods and data**

The following part explains the sampling, data collection and data analysis employed to complete this research.



### 3.3.1 Sample and data collection

This research utilised semi-structured interviews to gather primary data from low-income unbanked consumers in the twin cities of Rawalpindi and Islamabad, Pakistan. In aggregate, 38 interviews were conducted. The details of participants are given in individual research papers. Table 2 provides the profiles of all the informants who participated in studies included in this doctoral research.

TABLE 2 Participants profiles

S#	Alias	Sex	Age	Occupation	Education	Income	Residence
1	Jani	M	43	Water Bore Worker	High School	15000-20000	Local
2	Mani	M	27	Café Worker	High School	12,000	MW
3	Papu	M	26	Tailor	School Leaver	17000-18000	MW
4	Khan	M	44	Taxi Driver	Illiterate	15000-16000	Local
5	Bano	FM	36	Housemaid	Illiterate	15000	MW
6	Raja	M	41	Vegetable Seller	School Leaver	15000-17000	Local
7	Izza	FM	55	Housewife	School Leaver	20,000	Local
8	Rani	FM	25	Housemaid	Illiterate	8000	MW
9	Pola	M	29	Grocery Shopkeeper	Undergraduate	15000-16000	MW
10	Nomi	M	21	Cashier in Café	Completed School	11000	MW
11	Nori	FM	40	Cleaner in School	Illiterate	7000-8000	MW
12	Babu	M	42	Whitewasher	Completed College	12000-15000	Local
13	Jelo	FM	40	Pvt School Teacher	Completed College	7000	Local
14	Shan	M	26	Salesman in a Shop	High School	10000	MW
15	Niaz	M	26	Tailor	Illiterate	15000-18000	MW
16	Bibi	FM	45	Housemaid	Illiterate	8500	MW
17	Babli	FM	46	Tailoring from Home	Illiterate	10000-12000	MW
18	Sami	M	22	Grocery Shopkeeper	School Leaver	15000-20000	MW
19	Bari	M	34	Barber	Illiterate	10000-12000	MW
20	Rema	FM	23	Housemaid	Illiterate	7000-8000	MW
21	Mana	M	24	Cleaner in a Firm	School Leaver	7500	MW
22	Malik	M	47	Labour Supervisor	School Leaver	15000-20000	MW
23	Nelo	FM	25	Housemaid	Illiterate	10000	MW
24	Noor	M	32	Tailor	Illiterate	10000-12000	MW
25	Rifi	FM	50	Housemaid	School Leaver	10000	MW
26	Zain	M	30	Tailor	School Leaver	15000-20000	MW
27	Sher	M	64	Dry Cleaner	School Leaver	10000-15000	Local
28	Kaka	M	26	Welder	School Leaver	13000	Local
29	Billa	M	40	Taxi Driver	Completed School	20000-25000	Local
30	Phol	M	46	Taxi Driver	School Leaver	22000-23000	Local
31	Sema	FM	25	Tailoring from	Illiterate	15000-16000	MW

				Home			
32	Teto	M	26	Grocery Shopkeeper	School Leaver	18000-20000	Local
33	Chand	M	40	Tailor	School Leaver	25000-26000	MW
34	Gama	M	35	Hawker/Sweets Seller	Illiterate	10000	MW
35	Laila	FM	40	Housemaid	Illiterate	15000-16000	MW
36	Sana	FM	35	Pvt. School Attendant	Illiterate	10000	MW
37	Gul	M	25	Salesman in a Shop	School Leaver	8000	Local
38	Rana	M	42	Tailor/Clothing shop	School leaver	35000-40000	Local

Twenty eight interviewees were recruited in 2014 and 10 in 2015. In all four papers, a different amount of interview data was used. In the first two papers, all 28 interviews which were completed in 2014 were used. The third paper considered ROSCAs. From the data gathered in 2014, only 20 interviewees out of 28 participated in ROSCAs. Therefore, 10 interviews to gather additional data were arranged in 2015. The third paper used data from 30 interviews. Paper four addressed low-income consumers' perceptions about banks' fairness, and data was collected from 38 interviews, with the data from 37 interviews utilised to complete the study. The data from one interview was excluded intentionally because one of the participants' monthly income slightly exceeded the low-income bracket in Pakistan. However, this particular participant's data was included in paper 3, due to the reason that he provided valuable information regarding ROSCAs as he was not just participating but also organising ROSCAs. The basic criterion for recruiting the study participants was that they were unbanked. Table 1 summarises the sample characteristics and sample size utilised in each paper.

TABLE 3 Summary of participants characteristics in four articles

Article #	Study Title	Number of interviewees	Sample Characteristics
1	Vulnerability of the unbanked: Evidence from a developing country	28	10 female and 18 male; 20 migrant workers and 8 locals; monthly income 7,000 to 20,000 Pak Rupees; all working in different low-income professions; 1 completed an undergraduate degree, 3 completed college, 3 completed high school, 10 left school and 11 were totally illiterate.
			10 female and 18 male; 20 migrant workers and 8

2	How the unbanked cope with financial exclusion: Evidence from Pakistan	28	locals; monthly income 7,000 to 20,000 Pak Rupees; all working in different low-income professions; 1 completed an undergraduate degree, 3 completed college, 3 completed high school, 10 left school and 11 were totally illiterate.
3	ROSCAs role in facilitating control to the unbanked: Evidence from Pakistan	30	11 female and 19 male; 19 migrant workers and 11 locals; monthly income 7,000 to 26,000 Pak Rupees (with an exception of one participant's income, which was 35000-40000 a month); All working in different low-income professions; 1 completed an undergraduate degree, 1 completed college, 3 completed high school, 13 left school and 12 were totally illiterate.
4	Banks' unfairness and the vulnerability of low-income unbanked consumers	37	13 female and 24 male; 25 migrant workers and 12 locals; monthly income 7,000 to 26,000 Pak Rupees; All working in different low-income professions; 1 completed an undergraduate degree, 4 completed college, 3 completed high school, 14 left school and 15 were totally illiterate.

The sampling method employed in this study has features of both purposeful and snowball sampling techniques. Initially four unbanked consumers in four different neighbourhoods of Rawalpindi and Islamabad were recruited as participants purposefully, i.e. one from each neighbourhood. I understood through my learning and experience that social ties could be helpful in gathering data through interviews from low-income consumers in their respective communities. Therefore, the initially recruited four informants were requested to recruit further study participants from their respective neighbourhoods. This sampling method is similar to Patton's (2002) snowball

sampling technique. It entails using already recruited informants to recruit more informants from their social circles and who could provide rich information about the research topic (Patton, 2002). This strategy was adopted due to a lack of my social ties in low-income vicinities, which could hamper the data collection process. For example, some low-income individuals could be reluctant to talk to a researcher who is stranger to them. A reference within their respective community can boost their confidence to participate in the study and talk about things freely with the researcher. These four participants had good ties in their respective vicinities and they helped to recruit further participants from their individual neighbourhoods. These four study participants were educated regarding the basic criterion for the recruitment of study participants. They also motivated the unbanked individuals in their respective communities to take part in the research as it was related to highlighting their financial exclusion issue.

The low-income individuals live on a greater income than those living below the poverty line (1.25 USD per day), but their daily earnings remain below 10 USD, i.e. 3,650 USD per year (Kochhar, 2015). These neighbourhood residents were predominantly involved in different blue collar jobs or small businesses, and were commonly found to be illiterate or less literate. The neighbourhoods were characterised by narrow and relatively noisy streets, small houses with some of them requiring renovation, street vendors, small shops, and a lack of basic facilities such as a water supply and sanitation.

The location, time and day of all interviews were decided according to the participants' convenience. The majority of the interviews were completed in the participants' homes because this option was more convenient for them. However, some male participants gave interviews in small restaurants or in their own shops as this arrangement suited their work schedule. As a male researcher, it was a challenge to interview the female participants; therefore, my wife accompanied me during all interviews with the female participants. This strategy facilitated both the researcher and the female study participants to complete the interview in a befitting manner. All the participants willingly took part in the research, and they were provided with a little pecuniary reward at the end of interview. However, the participants were not informed beforehand about monetary incentives to participate in the interviews.

The study participants were given an information sheet and a consent form prior to conducting each interview. The information sheet included information regarding the research objectives, the participants' role and rights while participating in study, the use of the collected data and information regarding data security. The consent form was signed by the participants, but a number of participants who were unable to do signatures or write their names provided a thumb impression in lieu of their signatures. The consent forms contained various information, including: an affirmation of the study participants' understanding regarding the research aims; that they were voluntarily participating in the interviews; their right to withdraw from the interviews at any time; the storing of the interview data; and the utilisation of

interview information in journal publications, at conferences and in the doctoral thesis. Both documents were prepared in the Urdu language to facilitate the literate participants' understanding. However, the information sheet and consent forms were also orally elucidated to all study participants before the interview because the majority of the participants were either illiterate or less literate.

The participants were given an assurance of confidentiality and anonymity. Pseudonyms were used to protect their identities (Eriksson & Kovalainen, 2008). An interview guideline was prepared, which offered some structure to the interview questions. Nevertheless, on some occasions, improvisations were made according to the circumstances and the participants' characteristics (Myers, 2013; Elliott & Jankel-Elliott, 2003). A non-directive questioning technique was utilised to stimulate the participants to elucidate their views and experiences in detail (Elliott & Jankel-Elliott, 2003).

The underpinnings of this study were to obtain deep insights into the issues faced by unbanked consumers in their daily financial matters and in their financial inclusion. This information could help to provide a critical analysis and advocate change and improvements for the wellbeing of the poor, who are generally helpless in the marketplace due to several internal factors, e.g. illiteracy and poverty, and external factors, i.e. marketplace discrimination (Baker et al., 2005). Apart from the demographic questions, the interview guideline comprised topics such as the reasons for financial exclusion, factors hampering financial inclusion, repercussions of being unbanked in the contemporary age, and mechanisms of transferring money, saving money and obtaining short-term loans. Likewise, ROSCAs (Committees), which are used by the unbanked in developing countries, were also discussed with the study participants. The characteristics, functioning, benefits and problems experienced while participating in Committees, default, and potential issues that may arise after receiving money from the Committee fund were discussed. Moreover, factors impeding financial inclusion of the participants, their experiences with frontline bank staff, their perceptions regarding banks' fairness towards them and outcomes of such perceptions were discussed. The wording and sequencing of subsequent questions arising from the detailed discussion on the focal interview themes were kept flexible and varied according to interviewee characteristics and responses. In general, these included questions/ discussion with the participants on various sub-topics, which are given under each main theme/ question. Table 4 includes the interview guideline in English. The same interview guide in Urdu and Punjabi is in the appendix 1.

TABLE 4 Interview guideline

S#	Details about key themes/questions
1	<p>Demographical Questions</p> <ul style="list-style-type: none"> <li>(a) Name</li> <li>(b) Age</li> <li>(c) Monthly income</li> <li>(d) Education</li> <li>(e) Profession</li> <li>(f) Gender (M/FM)</li> <li>(g) Language(s) proficiency</li> <li>(h) Residence</li> </ul>
2	<p>Reasons of not having a bank account</p> <ul style="list-style-type: none"> <li>(a) Socio- cultural Reasons and family influence on choice to open bank account (such as family member (e.g. husband or wives or parents)</li> <li>(b) Religious reasons</li> <li>(c) Personal reasons</li> <li>(d) Banks/ Institutional factors e.g. account opening documentation requirements</li> <li>(e) Geographical barriers</li> <li>(f) Economic situation of the individual/ reasons</li> <li>(g) Discussion on account opening intention in near future</li> <li>(h) Advantages and disadvantages of having a bank account</li> <li>(i) Personal experiences with bank staff</li> <li>(j) Perception of bank staff treatment and consequences</li> </ul>
3	<p>Methods of transferring money, receiving money and making payments</p> <ul style="list-style-type: none"> <li>(a) In your opinion, what are the benefits and drawback of this?</li> <li>(b) What are your personal experiences of fulfilling your day to day ordinary banking needs through this alternative way?</li> </ul>
4	<p>Methods of saving money</p> <ul style="list-style-type: none"> <li>(a) In your opinion, what are the benefits and drawback of this?</li> <li>(b) What are your personal experiences of managing your savings in this way?</li> </ul>
5	<p>When you need a loan, then how you manage to get loan?</p> <ul style="list-style-type: none"> <li>(a) In your opinion, what are the benefits and drawback of this?</li> <li>(b) Please share your personal experiences of taking loan in this way?</li> </ul>
6	<p>Committees</p> <ul style="list-style-type: none"> <li>(a) Committee functioning</li> <li>(b) Organization: members and organizers</li> <li>(c) Benefits of Committees ( in saving money and accessing short-term credit)</li> <li>(d) Personal experiences about the problems while participating in Committees (in savings and short- term credit)</li> <li>(e) Mechanism to deal with defaulters and default problems</li> <li>(f) Problems after receiving money from the Committee</li> </ul>

A vast majority of the Pakistani population speak at least one regional or provincial language in addition to the Urdu language, which is the national language of Pakistan. Thirty-five interviews were conducted in the Urdu language, but three participants were unable to speak Urdu. Therefore, their interviews were completed in the Punjabi language, which is a widely spoken language in the province of Punjab, Pakistan. The researcher has native-level fluency in both languages. All the interviews were audio recorded with the permission of the participants. Initially, the interviews were audio recorded using a mobile phone, and subsequently, the recorded interviews were also transferred to a computer and a USB flash drive.

The notion of requiring a specific number of participants in the sample is inapt for qualitative researches, but the interviewees should be able to provide deep and relevant information regarding the issue being investigated (Myers, 2013). The interviews can be stopped when researcher reaches the point of saturation. This is the point when no fresh information is being discovered from the interviewees (Myers, 2013; Flick, 1998). The researcher reached the theoretical saturation point after conducting 28 interviews for the first two studies. It was presumed that some new information could be revealed by the unbanked participants regarding ROSCAs and their perceptions regarding banks' fairness towards them. Therefore, 10 more interviews were conducted to complete papers three and four. The audio recorded interviews exceeded 20 hours. Individual interviews ranged from 22 minutes to one hour. The interviews were transcribed word by word, which produced more than 650 A4-size handwritten pages in total.

### **3.3.2 Data analysis**

There are different kinds of textual data analysis methods in qualitative research. The data analysis must be consistent with the underlying philosophical assumptions regarding knowledge and reality. Thematic analysis and hermeneutic analysis are common methods of interview data analysis in qualitative studies (Myers, 2013; McGregor & Murnane, 2010). I used thematic analysis in papers one, three and four, and the hermeneutic approach to analyse the data in paper two.

Thematic analysis is a qualitative analytic technique for identifying, analysing and reporting patterns (themes) within data. It simply organises and describes the data set in (rich) detail. However, it often goes further than this and interprets a variety of aspects of the research topic (Braun & Clarke, 2006, p.79). Braun and Clarke (2006) proposed six steps in thematic analysis and those steps were employed in this study to analyse the qualitative data. First, the recorded interviews were transcribed word by word. I re-checked the transcribed data with the original verbal data (audio recorded interviews) for transcript accuracy. It is necessary to transcribe recorded data to carry out a deep analysis, and the transcription process facilitates the researcher's familiarisation with the data (Myers, 2013; Braun & Clarke, 2006; Riessman,

1993). Likewise, some researchers argue that the data transcription phase should be considered the most important step of data analysis in qualitative research (Bird, 2005). Since data analysis is an iterative process, I read the written transcripts several times to familiarise myself with the data (DeCuir-Gunby, Marshall, & McCulloch, 2011).

Second, after reading and familiarising myself with the data, initial codes were identified within the dataset, which is considered a major step in analysing the interview data (DeCuir-Gunby et al., 2011). Third, after coding the data, a list of codes were also written on a piece of paper. However, different codes that were already mentioned in the Urdu language transcripts also helped me to quickly re-read the important and meaningful data. This doctoral research aim was to explore unbanked consumers' experiences of vulnerability from various angles, which were not investigated previously. Thus, a 'bottom-up-approach' was considered appropriate (Myers, 2013) for data analysis and data-driven coding was applied to the whole dataset (Myers, 2013; DeCuir-Gunby et al., 2011). After producing a list of codes, an analysis at a broader level was made to see the potential of combining more than one code under one theme. After this phase, I generated an initial list of themes on a separate piece of paper and also wrote the potential themes on the original data transcripts as well for my own comprehension.

Fourth, it was ensured that the themes had adequate support from the data. At times, it was felt during the data analysis phase that it was incomplete with reference to a particular theme. Therefore, I revisited the data several times again to find the missing information and to increase the support for themes within the transcribed data. The purpose of this exercise was to ensure that all themes were portrayed in a way so that they told an accurate story regarding the gathered data. I attempted to ensure that the themes fit the codes given in the transcribed sheets and on the separate piece of paper. Therefore, I took notes about each theme separately on a piece of paper for an in-depth understanding of them and their accurate reporting. Fifth, I attempted to explain what each theme meant and to determine what parts of the data were related to each theme. The themes were given names in a way that explained their relevance to the research question. In this phase, I conducted a thorough analysis and provided proof from the data that explained each theme. Moreover, the themes' explanations facilitated my ability to answer the research questions in the different papers. Lastly, I wrote an analysis of each theme and provided evidence from the data (verbatim) as well to support my arguments (Braun & Clarke, 2006).

The second paper, which was related to the coping strategies of financially excluded consumers, employed the hermeneutic approach for interpreting the data (Thompson, Pollio, & Locander, 1994; Thompson, Locander & Pollio, 1989). This data analysis approach was mainly used because previous researchers also employed this approach to study the coping strategies of economically vulnerable consumers (e.g. Hamilton & Catterall, 2007, 2008). In addition, this data analysis technique was consistent with the philosophical



assumptions of my doctoral study. The hermeneutic is a part-to-whole approach to qualitative data analysis (Thompson et al., 1994, 1989), which allows categories and themes to emerge, develop and expand (Thompson, 1997). The hermeneutic approach requires researchers to utilise an iterative process to interpret data. The data interpretation was carried out by moving back and forth between the data and the literature review to discover the main patterns in the dataset (Saatcioglu & Corus, 2014; Thompson et al., 1989). First, an understanding of each interview was developed, which involved reading each transcript, and coding and creating emerging themes in each individual interview. Second, the interview transcripts were compared to each other to discover general patterns in the dataset (Thompson et al., 1994; Thompson et al., 1989).

## **4 SUMMARY OF THE KEY FINDINGS OF EACH RESEARCH PAPER**

This chapter offers an overview of the key findings of each of the four papers included in this doctoral dissertation. It also briefly explains the links of these papers' findings with the main research objective of this doctoral dissertation.

### **4.1 Vulnerability of the unbanked: Evidence from a developing country**

Authors: Sohail Kamran and Outi Uusitalo, Publication year: 2016,  
Journal name: International Journal of Consumer Studies

This paper's objective was to unfold the actual vulnerability of low-income unbanked consumers, which they experience owing to their financial exclusion. This paper illustrates the ways in which low-income unbanked consumers lose control of their daily financial matters and experience powerlessness, i.e. harm, in their personal, social and economic lives. This paper elucidates that the financial exclusion of low-income consumers triggers their experiences of vulnerability and makes them powerless in the marketplace.

The unbanked participants encountered vulnerability due to financial exclusion in their personal, economic and social lives. The personal factors of low-income consumers, e.g. poverty, play a role in their experiences of vulnerability, but external factors are the major cause of their marketplace vulnerability. Although unbanked individuals encounter marketplace vulnerability due to their financial exclusion, it is in different ways and at varying degrees.

The experiences of actual vulnerability, i.e. harm, in unbanked consumers' personal lives were manifested in the shape of their fear of robbery, time wastage during different transactions, intimidation from informal lenders, and a sense of deprivation stemming from both their poverty and the bank staff's discrimination against them. Unbanked consumers also faced adverse consequences in their economic lives. They encountered economic harm while

saving money, transferring money through high-cost money transfer services, and in the shape of a lack of business opportunities. Lastly, unbanked consumers faced unfavourable social consequences due to their financial exclusion. They underwent embarrassment when others learned that he/she did not have a bank account, and in the shape of damaged relationships with close relatives due to a lack of privacy of their money kept at home. The close relatives could ask for a loan, which unbanked consumers were often unable to deny, but doing so damaged relationships with their relatives. Table 5 offers some examples of internal and external factors influencing low-income unbanked consumers' experience of vulnerability. It also characterizes examples of perceived and actual vulnerability of low-income unbanked consumers in the perspective of this study.

TABLE 5 Internal, external, perceived and actual vulnerability of unbanked consumers

	Actual vulnerability	Perceived vulnerability
External factors	<p>Examples of unbanked consumers encountering negative consequences due to external factors:</p> <p>Personal consequences - fear of robbery of money -banks utility bills receipt procedures waste time</p> <p>Economic consequences - high costs of money transfer - difficult to save money without a bank account</p> <p>Social consequences - embarrassment when others know about financial exclusion -difficulties in denying loan request to relatives</p>	<p>Financial service providers discrimination against low-income consumers</p> <p>Perception that low-income and illiterate consumers could be vulnerable due to their exclusion</p>
Internal factors	<p>Examples of unbanked consumers encountering negative consequences due to poverty and lack of literacy skills:</p> <p>Personal consequences -illiteracy hinders understanding about bank account opening requirements</p> <p>Economic consequences -lack of self-discipline to save</p> <p>Social consequences -difficulties in paying back loan due to poverty</p>	<p>Poverty and illiteracy</p>

## 4.2 How the unbanked cope with financial exclusion: Evidence from Pakistan

Authors: Sohail Kamran and Outi Uusitalo, Publication year: 2016

Journal name: Journal of Financial Services Marketing.

This paper's objective was to investigate the coping strategies utilised by low-income unbanked consumers to tackle the issue of financial exclusion and the consequences of those coping strategies for them. This study indicates that financial exclusion compels unbanked consumers to find alternative ways to manage their routine financial matters, and they use different strategies to take control of their ordinary financial affairs. Nevertheless, the limited skills and resources of low-income consumers often prevent them from effectively coping with the issue of financial exclusion. Hence, low-income consumers frequently undergo vulnerability in their lives due to their financial exclusion.

In the absence of a formal bank account, unbanked participants utilised various workable coping strategies to satisfy their basic financial needs. The coping strategies employed by unbanked informants to deal with the issue of financial exclusion were mostly of a behavioural nature. However, a few participants simultaneously relied on both behavioural and emotional coping mechanisms, such as fantasy, e.g. that improvement in their economic circumstances will facilitate them to open a bank account. The unbanked consumers utilised personal, market and social resources to cope with financial exclusion, which led them to face various consequences. Social networks could also be considered as a dimension of personal resource of an individual because these are the people in one's network known to her/him. However, personal resources and social networks are demarcated in this study due to the fact that an individual have full or a greater degree of control on her/his personal resources whereas she/he has no or varying degree of control on various actors of social networks. These differences in personal and social networks characteristics could affect effectiveness of unbanked consumers' coping strategies.

The consequences of unbanked consumers coping strategies can be categorised as obligations, solidarity, trust and risk. The utilisation of social network resources mostly resulted in positive consequences and enabled participants to satisfy their different moral, social and financial obligations in a better manner, enhanced solidarity and trust among the group members, and decreased their risk of harm. Second, in the absence of social network resources, the unbanked consumers used various market resources to transfer money and access short-term credit. These included both formal resources (SMS money transfer services) and informal services, e.g. money transfers through bus drivers and loans from informal money lenders. The market resources assisted unbanked participants to fulfil different obligations, but they encountered various kinds of risk while coping with financial exclusion through this mode. Lastly, they employed their personal skills and resources to tackle the issue of financial exclusion, which included making a personal visit to the village to transfer

money to families and keeping savings at home. This strategy assisted them with meeting various obligations, but they faced different risks in this mode of coping.

### **4.3 ROSCAs role in facilitating control to the unbanked: Evidence from Pakistan**

Author: Sohail Kamran, Publication year: 2017

Journal name: Electronic Journal of Business Ethics and Organization Studies

This paper examines ROSCAs', i.e. Committees', role in facilitating low-income unbanked consumers to control and manage their ordinary financial affairs and evaluates the consequences of their participation in ROSCAs. The Committee's institutional cultural characteristics included shared goals of members, i.e. cognitive institutional pillar, and their mutual cooperation (normative institutional pillar). The members followed shared goals to save money with great discipline, which often helped them to accomplish their expensive or difficult purchases. Likewise, Committees' institutional cultural value of mutual cooperation assisted unbanked participants with controlling their financial matters. The members were happy to help each other during their difficult financial circumstances and in the event of urgent economic need. This cooperation offered a sense of security to the Committee participating members and assisted them to escape obtaining short-term credit from informal lenders.

The Committee's institutional rules represented the regulative institutional pillar, which were manifested in the form of organisers' obligation to pay money to members, payment of regular Committee instalments by members, and Committee payment arrangements. The unwritten Committee rules were stringently followed by the Committee members and the organisers. The participants were guaranteed to receive their deposited money from the Committee organisers on their respective turn, which ensured the safety of the money to the Committee's participating members. The participating members' compliance with the Committee rules also added to the security of the money for all participating members. However, sometimes the participants experienced difficulties in paying off their respective Committee instalments due to financial hardships. Likewise, the Committee payment principles are fundamentally based on luck, since the sequence of payment turns is decided with the help of a draw. This money payment arrangement favoured those who obtained their Committee money in the first order. Contrarily, those obtaining Committee instalments in the last turns encountered financial and psychological harm. Table 6 offers summary of key rules of Committees and their roles in the system.

Committees have quite strong cultures and rules that often assisted unbanked consumers with tackling their ordinary financial matters and mitigated their experiences of vulnerability. However, these small informal institutions lack resources and legally binding contracts. Therefore, Committees are not always able to guarantee the safety and privacy of money collected by their members from the Committee fund.

This study concluded that the informal economic institution (Committee) can neither substitute for the formal financial institutions nor can they always facilitate their unbanked members to control and manage their financial matters. Unbanked consumers often encounter several types of difficulties and risks in saving money and accessing short-term credit through Committees. Thus, financial exclusion remains a source of vulnerability for economically vulnerable individuals.

TABLE 6 Major rules of Committee and their roles in the system

Committee rules	Role in Committee system
(1) Organizer's responsibility to pay money to each member on their individual turn	(a) Payment of money their members on their individual turn that offers security of deposited money to each member. (b) Enhances trust on Committees (c) Guarantee of receiving money from organizer enhances participants motivation to save and to participate in Committee. (d) Possibility of fraud by organizers is rare but can't be totally eliminated.
(2) Members' responsibility to make timely payments of installments to Committee fund	(a) Enhances safety of money for all members (b) Defaulters will damage their reputation and could be excluded from future Committees. (c) Members are selected based on their good reputation, and trustworthiness by organizers in which minimize chances of default by a member. (d) Difficulties in paying timely Committee installments can cause stress to its members as frequent late payments risk exclusion from future Committees.
(3) Committee money payment procedure	(a) Members receiving money in last turns may encounter psychological and economic harm because money could lose its value due to inflation. (b) Members receiving money in early turns can meet their urgent economic needs promptly. (c) Lack of privacy and safety of money collected by members which causes fear of robbery and loan requests from relatives.

#### **4.4 Banks' unfairness and the vulnerability of low-income unbanked consumers**

Authors: Sohail Kamran and Outi Uusitalo, Publication year: 2018 (published online)

Journal name: The Service Industries Journal

The purpose of this paper was to investigate how low-income unbanked consumers perceive the fairness of banks and how these perceptions are linked to their experiences of vulnerability. This paper illustrates that banks' unfairness hampers the fulfilment of consumption goals, i.e. financial inclusion, of low-income individuals. It highlights that banks' lack of fairness towards low-income unbanked consumers becomes a source of vulnerability for them. Thus, an unreceptive external market environment, i.e. banks' unfairness, plays a critical role in the exclusion and marketplace vulnerability of low-income consumers.

The low-income participants perceived being avoided and discriminated against at banks, and also expressed that banks impede their financial inclusion in different ways. The banks perceived that unfairness triggered an experience of vulnerability to low-income consumers. First, banks' avoidance of low-income consumers is associated with both distributive and interactional justice components of banks. Geographical barriers and a lack of knowledge regarding banks are distributive justice aspects, and avoidance of poor customers by bank frontline staff through delivering them poor service is an interactional justice aspect of banks. Second, low-income participants experienced discriminatory procedural treatment at banks and reported that bank frontline staff deal with them in a disrespectful manner, which represents an interactional justice component of banks. The perceptions of banks' unfairness arouse feelings of vulnerability for economically underprivileged consumers. Finally, low-income participants perceived that banks impede their financial inclusion through procedures that are difficult for them to comply with. The procedural justice components of banks that impede financial inclusion of the participants are the documentation and the initial deposit requirement to open a bank account. Figure 2 demonstrates how banks unfairness towards low-income unbanked consumers cause them an experience of vulnerability.

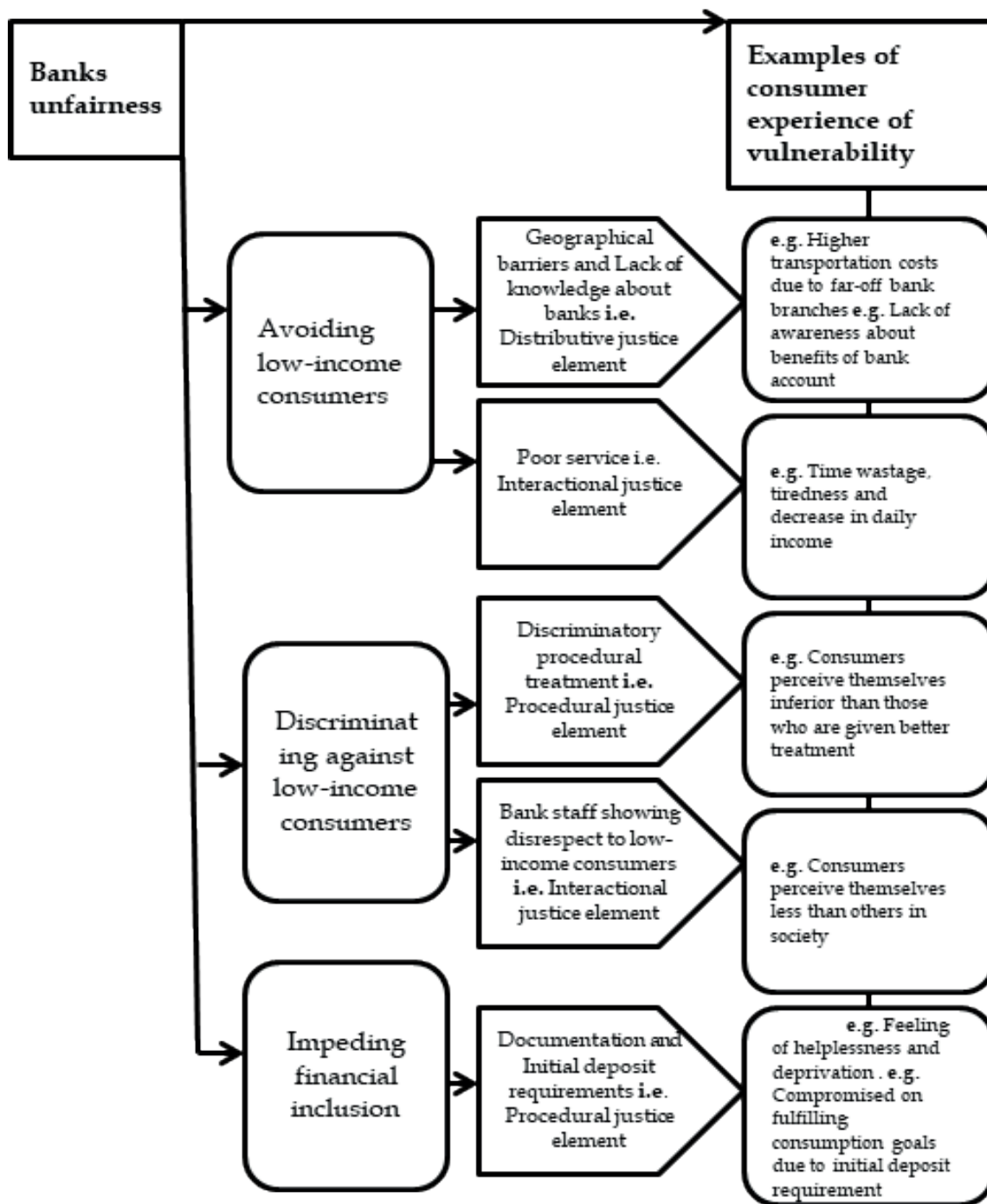


FIGURE 2 Diagrammatical representation of banks unfairness and low-income consumers vulnerability



## 5 DISCUSSION AND CONCLUSIONS

Financial exclusion is recognised as a critical element of socio-economic inequality where economically vulnerable groups are excluded from basic financial services (Affleck & Mellor, 2006). The issue of financial exclusion is mainly concentrated in the developing countries of the world (see Demirguc-Kunt et al., 2015). Financially excluded consumers encounter marketplace powerlessness partly due to their poverty, but it is mainly caused by banks' bias in serving them. In the absence of suitable substitutes, they typically encounter numerous difficulties, e.g. harm, and challenges in managing their everyday finances (Kamran & Uusitalo, 2016a; Wang & Tian, 2014). Their financial exclusion imposes several costs on them, thus hindering their wellbeing (Solo, 2008).

Poor customers need to be liberated from the barriers that inhibit their financial inclusion. Liberating vulnerable customers of services necessitates that service researchers and service firms realise customers' problems from their position. This is because the customer's viewpoint is the only right viewpoint and knowing that could help service organisations to serve them well (Fisk, 2009). This doctoral research took the unbanked consumers' viewpoint in order to understand their concerns (Koku, 2015). More specifically, it attempted to obtain deep insights into low-income unbanked consumers' experiences of marketplace vulnerability in their ordinary lives, their coping mechanisms to tackle the issue of financial exclusion and the consequences of such coping strategies, and the role of banks' fairness in their exclusion and vulnerability. Thus, this doctoral dissertation offers a deep analysis on the issue of financial exclusion and elucidates the ways in which it impedes the wellbeing of the poor by comprehending their situation. This research had three research objectives and complying with those objectives helped to make theoretical and practical contributions. The following section offers an explanation on the accomplishment of the research objectives, the theoretical and practical contributions of this study, its limitations and future research guidelines.

## 5.1 Theoretical contributions

The first objective of this doctoral dissertation was to uncover how financial exclusion causes low-income unbanked consumers to experience vulnerability in their ordinary lives. The first research paper examined low-income unbanked consumers' actual experiences of vulnerability, which helped to accomplish objective one of this doctoral dissertation. Although previous researchers have examined consumer vulnerability in the context of short-term credit (e.g. Mariwah, 2012; Palmer & Conaty, 2002), they have not approached unbanked consumers from the perspective of broader vulnerability (Kamran & Uusitalo, 2016a). Moreover, previous researchers have highlighted some negative consequences of financial exclusion for unbanked consumers in the developed countries context (e.g. Kempson & Whyley, 1999). However, the issue of financial exclusion was not approached explicitly with reference to marketplace vulnerability of unbanked consumers.

This paper draws on consumer vulnerability and financial exclusion literature to enlighten the ways in which financial exclusion becomes a source of vulnerability for unbanked consumers. Thus, this study contributes to financial exclusion and consumer vulnerability domains by illustrating the critical problems encountered by low-income unbanked consumers due to their financial exclusion. This paper explains that low-income unbanked consumers encounter exclusion and marketplace vulnerability, i.e. harm, due to their lack of control of both their internal and external circumstances. They experience marketplace vulnerability due to an absence of comparable substitutes to manage their day-to-day financial affairs. They commonly encounter vulnerability in cash transfers, saving money and while obtaining short-term loans. Unbanked consumers experience actual vulnerability in the form of various detriments in personal, economic and social spheres. They undergo marketplace vulnerability in the shape of fearing robbery of their money, time wastage, threats from informal lenders and feelings of deprivation. They suffer vulnerability in their economic lives in the form of problems with saving money, high-priced cash transfers and a lack of business prospects. Finally, their vulnerability is manifested in their social lives in the shape of embarrassment and damaged relationships with close relatives. This paper underscores that exclusion from a basic consumption domain causes consumers to experience vulnerability. However, the magnitude of the problem of consumer exclusion from basic services is much greater in developing countries. Thus, the patterns of consumers' marketplace vulnerability differed significantly from previous researches in the developed countries context.

The second objective of this research was to investigate coping strategies devised by low-income consumers to tackle the issue of financial exclusion and the effectiveness of their coping strategies in facilitating them to control and manage their everyday financial matters. This objective was accomplished by completing papers two and three of this doctoral dissertation.

The second paper explored various coping strategies employed by unbanked consumers to deal with the issue of financial exclusion and the consequences of such strategies for the financially excluded consumers. The unbanked consumers are obliged to cope with their financial exclusion and marketplace vulnerability (Kamran & Uusitalo, 2016b). However, there is a lack of research that examines the methods utilised by consumers to cope with adverse marketplace experiences (Duhachek, 2005; Yi & Baumgartner, 2004). Likewise, some previous researches have mainly focused on exploring the coping strategies but failed to capture their consequences (Hamilton & Catterall, 2008). This research also contributes to the literature of consumer vulnerability as it reveals the way different kinds of resources and coping strategies are utilised to facilitate consumers' to cope with the issue of financial exclusion, and whether or not they succeeded in doing so. This paper illustrates that financially excluded consumers who encountered a relative disadvantage in the marketplace attempted to bring some degree of control to their lives (Hill, 2002; Hill & Stephens, 1997). They mainly cope with financial exclusion through different behavioural coping strategies (Baker et al., 2005) and bring different resources and skills into action to combat the issue. Individuals facing difficult situations often seek help from their social networks, and this pattern of coping is even more apparent in collectivistic cultures (Wang & Tian, 2014). This study illustrates that coping with financial exclusion through social networks was the preferred mechanism for transferring money, saving money and accessing short-term credit. Alternatively, the participants utilised different market and personal resources to manage their basic financial needs. This study portrays that the inadequate resources and skills of the poor (Fisk et al., 2016) inhibit them from effectively coping with the issue of financial exclusion in several ways. They were frequently prone to experiencing several types of risks and harm while managing their everyday financial affairs by utilising personal and market resources.

The third paper solely examined the ROSCAs' role in facilitating unbanked consumers to control and manage their savings and short-term credit matters. This paper also partially met the second research objective of this doctoral research. Unbanked consumers encounter powerlessness with saving money and obtaining short-term credit (Kempson & Whyley, 1999). ROSCAs can be considered a coping mechanism for unbanked consumers as they facilitate them to save money and to access short-term credit (Aliber, 2001; Bouman, 1995a). However, previous researchers ignored examining ROSCAs' role in facilitating unbanked low-income consumers to control their financial lives and to tackle marketplace vulnerability. This article utilised the new institutional theory lens to uncover the institutional characteristics of ROSCAs, i.e. Committees, in assisting the autonomy of financially excluded consumers and in decreasing their marketplace vulnerability.

This study reveals that Committees consist of three institutional pillars i.e. cognitive, normative and regulatory (Scott, 2008,2001). First, Committees' institutional cultural value of shared goals (cognitive aspect) allowed for control

in the financial lives of unbanked consumers. The members' followed shared goals to save money with great discipline, which was displayed in their mutual assumption of their obligation to save money. The presence of a strong cognitive institutional aspect enabled unbanked consumers to save money conveniently and to fulfil various difficult consumption goals. Second, mutual cooperation (normative aspect) is also a major institutional cultural value that facilitated unbanked consumers' control in their financial lives. The characteristics of mutual cooperation among members offered them a feeling of security as it helped them to avoid obtaining short-term credit from informal lenders. Third, the regulatory aspect of Committees includes various rules that are pertinent to both the Committee organisers and participating members. These rules include the organisers' obligation to pay money to Committee members, payments in instalments of Committee fund by members, and Committee money payment arrangements. The regulatory elements of Committees often facilitate unbanked consumers to tackle marketplace vulnerability, but complying with the institutional rules occasionally caused them psychological and economic detriment. This study underscores that three institutional aspects of Committees allow unbanked consumers to have reasonable control over saving money and accessing short-term credit. Nevertheless, these informal institutions cannot be a perfect substitute to formal service providers (Helmke & Levitsky, 2004). As miniscule informal institutions, Committees lack legally binding agreements and are incapable of ensuring the safety and privacy of Committee money to their participants. Therefore, Committees cannot always guarantee that the participating members will have control over their routine financial matters. Thus, unbanked consumers are not capable of totally escaping vulnerability in their financial lives as they encounter various kinds of detriment while participating in ROSCAs/Committees.

The third objective of this doctoral dissertation was to examine how unbanked consumers perceive banks' fairness towards them and in what ways those perceptions are linked to their experiences of vulnerability. The fourth paper included in this dissertation accomplished the aforesaid objective. The literature highlights that financial institutions have a prejudice against serving low-income groups, which prevents their financial inclusion (e.g. Kempson & Whyley, 1999; Chéron et al., 1999). However, there is an acute shortage of literature on less-affluent consumers of financial services in marketing (Koku, 2015; Anderson et al., 2013) and also on customers' perceptions of banks' justice towards them (Worthington & Devlin, 2013). Previous studies have examined some issues with regards to the welfare of vulnerable consumers of financial services. Wang and Tian (2014) examined the issues faced by migrant workers in obtaining essential financial services, such as personal loans in the urban Chinese marketplace. Martin and Hill (2015) examined the ways in which societal poverty, individuals' saving ability and their satisfaction with their personal household financial situation affected the welfare of consumers at the bottom of the income pyramid. Sanchez-Barrios et al. (2015) investigated

positive outcomes of loan sharks on the wellbeing of underprivileged consumers in a developing country context. Financial service providers' unfairness towards the poor (Kempson & Whyley, 1999) impedes them from complying with their consumption aims, and in these circumstances, consumers undergo vulnerability (Baker et al., 2005). Although it is understandable that service providers' unfairness could cause their customers to experience vulnerability, prior researchers have ignored associating service firms' fairness with consumers' experiences of vulnerability. Therefore, this study joins the discussion on the issues of low-income consumers of financial services by inquiring about their perceptions regarding banks' fairness and the way those perceptions are associated with their experiences of vulnerability. This study draws upon consumer vulnerability and justice theory to understand low-income consumers' perceptions regarding banks' fairness and to elucidate the ways in which those perceptions contributed to their experiences of vulnerability. This study enhances our understanding regarding financial exclusion and consumer vulnerability by studying critical problems encountered by low-income consumers in their financial inclusion. The research demonstrates how marketplace discrimination impedes their financial inclusion and contributes to their experiences of vulnerability. To the best of our knowledge, this is the first study that explicitly links service firms' justice aspects to consumers' experiences of vulnerability.

The low-income consumers perceived that they are avoided and discriminated against, and their financial inclusion was impeded by banks. These perceptions of banks' unfairness contributed to their experiences of vulnerability. First, their perception of being avoided was associated with distributive and interactional justice aspects of banks. Geographical barriers to banking and a lack of information regarding banks are distributive justice elements. Low-income consumers encountered structural vulnerability due to the geographical barriers to banking. Structural conditions are among the numerous external factors that contribute to the notion of consumer vulnerability (Baker et al., 2005). Likewise, low-income consumers' lack of knowledge regarding banks also indicates banks distributive justice element. Kempson and Whyley (1999) underscore that financial service providers commonly avoid allocating resources that inform and target economically vulnerable consumers. This has the potential of contributing towards the 'information vulnerability' (Cartwright, 2011) of low-income consumers. Their lack of information about banks could encourage them to manage their financial affairs in an informal manner, which mostly causes them detriment (Kamran & Uusitalo, 2016b; Wang & Tian, 2014; Kempson & Whyley, 1999). Moreover, low-income consumers also felt that they were being avoided when they received poor service from banks' frontline staff, which is an interactional justice element. They deserved additional help from banks' frontline staff to accomplish their financial inclusion goal. However, bank staff tend to avoid low-income consumers through poor service, which indicates an interactional justice component of banks. Second, economically underprivileged consumers

experienced banks' discrimination, which was linked to procedural and interactional justice components of banks. Serving customers through different procedures certainly causes perceptions of procedural unfairness in the minds of those who are disadvantaged in that situation (Chung-Herrera, 2007; Seiders & Berry, 1998). Similarly, vulnerable consumers perceived discrimination when they were dealt with in a disrespectful way by bank staff. This highlights banks' interactional injustice towards low-income consumers. Vulnerable individuals want service firms to treat them with respect and fairness (Baker, 2006). The perceived discrimination in the banks' procedures and interactions cause low-income consumers to experience vulnerability as they view themselves as inferior to those customers who are given superior service. Finally, low-income unbanked consumers' financial inclusion was impeded through banks' procedural unfairness. The account opening procedures were rather difficult for low-income consumers to comply with, i.e. initial deposit and documentation requirements, which rendered them unbanked. They were unable to fulfil the procedural requirements due to their scarce economic resources and informal jobs. The low-income consumers experienced vulnerability in the shape of powerlessness and deprivation when they were unable to fulfil those procedural requirements.

Thus, the lack of banks' distributive, procedural and interactional justice towards low-income consumers impedes their consumption goals, which causes them to feel vulnerable. This study illustrates that although personal characteristics could contribute to the exclusion of vulnerable consumers from basic service domains, service providers' unfairness, i.e. external factors, are the main cause of their exclusion and subsequent experiences of vulnerability. Table 7 summarizes literature or domain of study, gaps in the literature that were addressed in this doctoral dissertation contributions of each research article, and contribution of each article to the theories.

TABLE 7 Summary of research contributions

Literature or domain	Gap in literature	Research Objective(s)	Contribution to the theories	Article(s) where the contribution is made
Financial exclusion	Financial exclusion of low-income unbanked consumers causing vulnerability	1, 2 and 3	(a) Low-income unbanked consumers encounter various kinds of detriment in personal, economic and social spheres owing to financial exclusion.  (b) Unbanked consumers employ various resources to cope with financial exclusion but mostly they are unable to manage their routine financial matters in	(a) Vulnerability of the unbanked: evidence from a developing country  (b) How the unbanked cope with

			<p>informal manner. Therefore, they encounter detriment due to their financial exclusion.</p> <p>(c) Committee offers a platform to unbanked individuals to save money and to access credit but this informal institution cannot substitute formal financial service institutions. Therefore, unbanked consumers are expected to encounter harm due to their financial exclusion.</p> <p>(d) Unbanked consumers perceive that banks are unfair towards them. Banks policies and procedures are a major cause of their financial exclusion.</p>	<p>financial exclusion: evidence from Pakistan</p> <p>(c) ROSCAs role in facilitating control to the unbanked: evidence from Pakistan</p> <p>(d) Banks' unfairness and the vulnerability of low-income unbanked consumers</p>
Consumer vulnerability	Vulnerability of low-income unbanked consumers owing to their financial exclusion	1 and 3	<p>(a) Actual vulnerability of unbanked consumers is explored. Their powerlessness is manifested in shape of their detriment, which they encounter in their everyday lives.</p> <p>(b) It shows that service providers unfairness can cause vulnerability to their customers. Thus, external factors (i.e. bank unfairness) play a vital role in exclusion and vulnerability of low-income unbanked consumers.</p>	<p>(a) Vulnerability of the unbanked: evidence from a developing country</p> <p>(b) Banks' unfairness and the vulnerability of low-income unbanked consumers</p>
Consumer coping strategies	Consumer coping with financial exclusion and the consequences	2	<p>(a) Unbanked consumers attempt to gain control of their ordinary financial affairs through different behavioral coping strategies and utilize social networks, market and personal resources to cope with financial exclusion. These informal resources mostly result into their powerlessness as they mostly lack control to manage their ordinary financial affairs through informal manners.</p> <p>(b) ROSCAs usually facilitate unbanked consumers to cope with their financial exclusion but, these informal economic institutions</p>	<p>(a) How the unbanked cope with financial exclusion: evidence from Pakistan</p> <p>(b) ROSCAs role in facilitating control to the unbanked: evidence from Pakistan</p>

			lack rules and resources to ensure safety , security and privacy of money to their members. Thus, unbanked consumers may encounter vulnerability while participating in ROSCAs.	
Transformative service research (TSR)	Banks unfairness towards the low-income was not approached by prior researchers in financial exclusion literature as well as from the lens of transformative service research.	3	Low-income unbanked consumers are financially excluded and experience powerlessness owing to banks unfairness in serving them. This research provides workable implications for financial inclusion and impartial treatment of low-income consumers in banks, which could mitigate their experience of vulnerability and uplift their wellbeing.	Banks' unfairness and the vulnerability of low-income unbanked consumers

## 5.2 Practical contributions

The provision of essential financial services, e.g. basic bank account, can allow low-income consumers to escape everyday experiences of marketplace vulnerability and can facilitate their control in routine financial matters (Kamran & Uusitalo, 2016a, 2016b). However, banks are in the supreme position to restore marketplace fairness as their transformative policies, procedures and rules could facilitate financial inclusion of the poor. Furthermore, other important stakeholders, e.g. banking regulators and NGOs, can also play their part in enhancing the financial inclusion of the poor. Therefore, the following practical implications are proposed with the aspiration of mitigating the marketplace vulnerability of poor unbanked consumers and enhancing their wellbeing (Corus & Saatcioglu, 2015).

First, this research highlights that economically vulnerable consumers encounter 'structural vulnerability' (Baker et al., 2005) due to bank branches' distance from their homes. An experience of structural vulnerability is intense for rural populations, who generally have to travel long distances to reach bank branches that discourage them from consuming basic financial services. Therefore, banks must allocate resources to make basic banking services accessible to rural populations in particular. The banks can consider opening new branches in geographically remote areas to mitigate the suffering of low-



income consumers in managing their day-to-day finances. The structural barriers to banking for susceptible consumers indicate that Pakistani banks neglect low-income neighbourhoods in general and rural areas in particular when distributing their resources. Currently, commercial banks are obliged to open at least 20% of their new bank branches in underserved or rural areas (The Banker, 2015). This depicts a rather unfair resource allocation of commercial banks to rural populations, as 61% of the Pakistani population live in rural areas (World Databank, 2015). Thus, bank regulators could also implement viable policy measures to curtail geographical barriers to banking and mitigate the vulnerability of the poor in accessing basic banking services. It is proposed that the banking regulator should make it obligatory for Pakistani commercial banks to open at least 50% of their bank branches in rural areas or in other underserved locations.

Second, low-income consumers usually lack information regarding the benefits of having a basic bank account (Chopra, Prabhala & Tantri, 2017). Consequently, they remain unbanked, but their financial exclusion obliges them to encounter different kinds of detriments in their everyday lives (Kamran & Uusitalo, 2016a, 2016b). Their low educational level also contributes to their lack of knowledge about basic banking products, but their marketing exclusion (Kempson & Whyley, 1999) plays an equal part in this problem. Different actors, such as banks, regulators and NGOs, can play their role in resolving this issue. They could initiate different kinds of programmes to develop low-income consumers' awareness about the benefits of a basic bank account and to foster their financial capability (Luukkanen & Uusitalo, 2014).

Third, similar to mainstream consumers, low-income unbanked consumers also require short-term finances for the smooth running of their economic lives. However, they often lack the control to access short-term credit due to the banks' discriminatory policies towards them. Consequently, they utilise different informal sources to obtain loans, which frequently cause them social, psychological and financial detriment (Kamran & Uusitalo, 2016a, 2016b). Only 2% of the poor population can access microfinance from the formal sector in Pakistan (Kironget, 2014; Nenova, Niang, & Ahmad, 2009). The banks, microfinance service providers and NGOs working in this realm can certainly help to mitigate their experiences of vulnerability in the context of short-term credit. They should endeavour to increase their level of operations in the existing locale as well as indifferent unserved locations. This could enable low-income consumers to access affordable credit. The aforementioned stakeholders should also educate low-income consumers regarding the repercussions of taking loans from informal lenders by using viable media. These steps could significantly decrease the experiences of marketplace vulnerability of low-income unbanked consumers when accessing loans. Moreover, most of the Pakistani commercial banks do not offer micro-credit in Pakistan. This also creates a barrier for low-income consumers to access micro-credit. Therefore, bank regulators should make it mandatory for all Pakistani commercial banks

to launch various micro-credit products to enhance the access and welfare of low-income consumers.

The third paper of this doctoral dissertation underscores that ROSCAs, i.e. Committees, usually facilitate unbanked participating members to access short-term credit and save money. However, the unbanked consumers cannot fully escape the experience of vulnerability by participating in ROSCA programmes. The study illustrates that low-income consumers display great discipline while making their instalment payments to their particular ROSCA programme. They commonly comply with group expectations and pay their instalments in a timely manner to the ROSCA fund. This indicates that there is an excellent prospect for Pakistani commercial banks to offer group lending to their poor customers, i.e. the Grameen Bank model. The group lending model is being effectively utilised in different developing countries to fulfil the micro-credit requirements of the economically vulnerable population (Koku, 2015). However, only a handful of micro-finance institutions have utilised the idea of the group lending model in Pakistan, e.g. the National Rural Support Programme and Khushali Bank. This model could be helpful to offer short-term finances to the poor because they usually lack guarantees or collateral to acquire personal loans from formal institutions (Koku & Jagpal, 2015). A strong feature in the shape of reciprocal cooperation is present in ROSCAs. This means that low-income consumers would be ready to offer cross-guarantees of each other's debts, which indicates that the group lending model can be a success in Pakistan, too. So, micro-credit offered by the formal sector could potentially decrease low-income unbanked consumers' experiences of vulnerability.

Fourth, the data for this study was collected in 2014 and 2015, and during that time, there were mandatory documentation and initial deposit requirements for every individual to open a bank account. These requirements served as one of the major impediments to the financial inclusion of low-income consumers in Pakistan. In 2016, the State Bank of Pakistan, i.e. regulator, made a commendable policy decision to ease the financial inclusion of the poor in Pakistan. On the instruction of the regulator, all banks are obliged to offer an Aasaan account to low-income consumers, which can be opened by just providing an identity card and by completing a form. This regulatory initiative can facilitate the financial inclusion of the economically underprivileged segments. As this study indicates that low-income consumers have inadequate knowledge about the banks both due to their low literacy as well as their marketing exclusion (Kempson & Whyley, 1999), the banks should aggressively promote the Aasaan account through viable communication media. The Aasaan account promotions should be run in provincial languages and in the national language as a significant portion of the rural population only understand their regional or provincial language.

Fifth, the findings of this doctoral dissertation reveal that low-income consumers experience unfairness from banks in different ways. They frequently encounter discrimination in procedures and during their service encounters in banks. Some of the suggestions to resolve these issues have been addressed in

the above section. In addition, banks should train their employees to deal with their economically vulnerable consumers in a respectful way. All bank employees should comply with the banking business code of conduct when dealing with their customers. They should be given equal or better service by the banks, compared to mainstream consumers, to eliminate their experiences of powerlessness in the context of financial services.

Sixth, mobile money service providers can play a significant role to enhance financial inclusion and mitigate low-income unbanked consumers' experiences of vulnerability. This doctoral research highlights that low-income consumers are highly price sensitive owing to their restricted income and find the prices of SMS money services too high. In fact, the mobile money prices for money transfers are considerably higher than the commercial banks in Pakistan. This discourages the use of mobile money services amongst the economically vulnerable. Consequently, they utilise alternative informal sources to transfer money to their families and to other locations, which often cause them detriment (Kamran & Uusitalo, 2016a). Kironget (2014) found that 90% of the Pakistani poor and villagers possess a SIM card and a mobile phone, but only 5% of Pakistanis use mobile money services. This indicates that mobile money service providers need to change their marketing strategies to increase their own customer base and to enhance the financial inclusion and wellbeing of excluded consumers. They should decrease the money transfer prices to attract their target market to use this service. In addition, consumer education is an important element in innovative services such as mobile money services (Anong & Kunovskaya, 2013). Mobile money provides different benefits to their target market, such as utility bill payments and saving money through a mobile money account. However, low-income consumers commonly lack the awareness and education to understand the advantages of using formal financial services over informal ones. Therefore, the mobile money services should educate people regarding the benefits of utilising mobile money accounts in Pakistan.

Finally, there is still a great potential for more proactive strategies and policy initiatives from different stakeholders to combat the large-scale problem of financial exclusion in Pakistan. However, different actors', e.g. banks, activities can be categorised as profit-driven (Luukkanen & Uusitalo, 2014). This implies that there could be a divergence in the banks' offerings as well as in their policies and low-income consumers' actual financial service needs. This situation generally impedes the financial inclusion of the poor and their wellbeing. The regulator should continuously scrutinise the operations of commercial banks to enhance the convergence between their bank offerings and policies and low-income consumers' financial service needs. This can indeed help to improve the financial inclusion of the poor in Pakistan. Apart from the above suggestions, the bank regulator should propose viable policy initiatives to enhance the financial inclusion and wellbeing of low-income consumers.

### 5.3 Limitations and future research avenues

All researches have certain limitations and the same is the case with this doctoral research. Nevertheless, these research limitations open up opportunities for a number of potential studies.

This doctoral research exclusively studied low-income unbanked consumers' perspectives to gain a deep understanding of their experiences of marketplace vulnerability due to financial exclusion. This research does not include the views of unbanked consumers from any other social strata. Given the very high rate of financial exclusion in Pakistan, it is obvious that people from other social classes are unbanked as well. Since unbanked consumers' experiences of vulnerability could differ from person to person, it could also be differently experienced and manifested in other social classes (Kamran & Uusitalo, 2016a). Therefore, future research could investigate the experiences of vulnerability among unbanked individuals from other social classes, e.g. middle and upper-middle classes, in Pakistan and elsewhere, i.e. developing countries in particular. Similarly, it is also worth investigating the coping strategies employed by unbanked people from different social classes in the future. Moreover, it is obvious that individuals from different income groups participate in ROSCAs, i.e. Committees, in Pakistan. Future studies could examine the motivations of different social classes, e.g. middle- and high-income individuals, to participate in ROSCAs. Future research could also examine the consequences of Committees for both affluent participants and for the economy in general. Lastly, this study reveals that low-income unbanked consumers' perceive banks as acting unfairly towards them. This hints at determining affluent consumers' perceptions regarding banks' service fairness both towards them and towards less affluent consumers.

This research only investigated the financial exclusion issues of the unbanked consumer side, i.e. the demand side, and the resultant experiences of marketplace vulnerability in various settings. This doctoral study does not incorporate supply-side views in anyway, e.g. regulator, banks and employees. Various stakeholders in the financial services industry could also find impediments to serving low-income consumers due to a variety of constraints and challenges. First, future studies could investigate the perspective of developing countries' financial services regulators regarding the challenges they encounter in designing and implementing policies to serve economically underprivileged consumers. Second, in the developing countries context, different commercial banks might have varying degrees of resources and capabilities, which could hinder them from dealing with a massive economically disadvantaged population. Future studies could explore the perceived constraints of the banks' top management in serving low-income consumers. Third, future studies could also investigate frontline employees' perceptions regarding low-income consumers and the challenges they face when serving low-income consumer groups. Lastly, future studies could also

explore how banks' policymakers and employees perceive their service fairness towards less affluent consumer groups in different country contexts.

The meaning of a social phenomenon heavily relies upon the context as it conveys the socially created reality of the population being studied (Myers, 2013). This study focused on a specific context of low-income unbanked consumers in Pakistan. Many aspects of this study's findings were culturally specific, e.g. the coping strategies of unbanked consumers. Therefore, similar studies could be replicated elsewhere and are expected to yield different and interesting findings. The second paper solely explored the coping strategies utilised by low-income unbanked consumers to tackle the issue of financial exclusion. The coping strategies employed by the unbanked consumers to deal with their financial exclusion could also be explored in different developing countries and also in countries with individualistic cultures. Likewise, ROSCAs' functions and their role in mitigating the experiences of vulnerability of unbanked individuals could be explored in other cultures, especially in individualistic cultures such as South Africa. Further, ROSCAs could put various social and economic obligations on their organisers, but the third paper only investigated ROSCAs' role in facilitating the control of unbanked consumers. ROSCA organisers could also encounter vulnerability because of their various responsibilities. Similarly, the privacy and safety of money could be a serious concern for ROSCA organisers compared to the individual participating members. Therefore, future researches could explore ROSCA organisers' possible experiences of vulnerability in managing the ROSCA, and the methods devised by them to cope with those experiences. In addition, this doctoral research also investigated low-income consumers' perceptions regarding the banks' fairness in a developing country's milieu. The same research could be replicated elsewhere, i.e. both in developing and developed countries, and is expected to yield interesting and different findings due to cultural variations. Lastly, low-income consumers acquired loans from informal sources, which might be utilized for productive or unproductive purposes. Therefore, future study could investigate the ways in which borrowed money is used by low-income consumers.

In sum, overall this doctoral research underscores that financial exclusion is a source of consumers' experiences of vulnerability. However, low-income consumers are often excluded from several other basic service domains as well. Future studies could examine low-income consumers' experiences of vulnerability due to their exclusion from various other consumption spheres, e.g. medical and education. Likewise, low-income consumers coping mechanisms to deal with their exclusion from other service domains and the consequences of such coping strategies could be explored. Moreover, paper four of this doctoral dissertation underscores that service providers' unfairness causes low-income consumers' feelings of vulnerability. The link between unfairness and consumers' experiences of vulnerability could also be explored in other settings and with regards to other customer groups. For instance, mainstream consumers could encounter unfairness from the seller in different

situations, which may trigger in them an experience of vulnerability. Thus, exploring consumers' perceptions about seller unfairness and its link to their experiences of vulnerability could yield interesting results in other contexts as well.

#### **5.4 Evaluation of the doctoral research**

Ensuring trustworthiness and quality of research is one of the biggest challenges faced by qualitative researchers. Researchers should not evaluate their research at the end of the project, but they should clearly adopt evaluation criteria, which is followed continuously throughout the research project. Hence, adopting a clear evaluation criterion to evaluate a research certainly enhances quality and trustworthiness of research (Eriksson & Kovalainen, 2008). I continually kept evaluating the research process throughout the course of this doctoral research. This section explains evaluation of this study by using the model from Lincoln and Guba (1985) who put forward that trustworthiness of a study is vital to assess its value. They maintain that trustworthiness of a given research study can be evaluated against four criterion which include: credibility, transferability, dependability and confirmability. In the following I explain how this doctoral research fulfils these standards.

*Credibility* refers to the confidence in the truth of the research findings (Lincoln & Guba, 1985). It shows internal validity or authenticity of research. Credibility is a degree to which the findings appear to be acceptable representation of the data (Storbacka, Polsa & Säaksjärvi, 2011, p. 38; Flint, Woodruff & Gardial, 2002 ). There are several issues that need to be addressed to enhance the credibility of a research. First, a researcher need to have familiarity with research topic and the data should be adequate to merit researcher's claim (Eriksson & Kovalainen, 2008). My prolonged engagement (Lincoln & Guba, 1985) in this research project and with the participants enhances its credibility. I have performed a thorough survey of extant literature before going into the field for interviewing the low-income unbanked consumers. I spent sufficient time in conducting interviews with 38 low-income unbanked consumers, which helped me to deeply understand and to learn the research topic. I developed rapport with the research participants, which helped me to gain their trust and to gather valuable information from them regarding the topic under investigation. Analyst triangulation and theory perspective triangulation was performed in this research (Patton, 1999). The analyst triangulation is apparent in this doctoral research as there were multiple analysts and observers who reviewed the findings of this research. These included the co-author of research papers included in this dissertation, feedback from the participants of two marketing conferences and feedback from the reviewers of research papers. Theoretical or perspective triangulation was performed by utilizing several theoretical angles to understand and interpret the empirical data. Lastly, credibility of a research can also be established, if any

other researcher on the basis of the already collected materials could be in agreement with your claims or could gain rather similar kind of interpretations (Eriksson & Kovalainen, 2008). The primary data was collected with utmost care and in as much detail as possible. Therefore, it is likely that other researchers would also yield similar kind of findings if they interpret my dataset.

*Transferability* represents the external validity of research (Storbacka et al., 2011). It refers to degree to which results of one research in one context are applicable to other contexts (Storbacka et al., 2011; Flint et al., 2002). The notion of transferability is not regarding replication. It should explain whether any kind of similarity is found with comparable research contexts (Eriksson & Kovalainen, 2008). Thick description is a way of achieving transferability or external validity of research. By explaining the phenomenon in adequate detail, the researcher can evaluate the degree to which the findings are transferable to other contexts and people i.e. consumer groups (Lincoln & Guba, 1985). Overall, the findings of this doctoral research can be generalized and are applicable to vulnerable consumers who are excluded from various consumption spheres or basic services (e.g. banking, basic education and healthcare). They are expected to experience vulnerability as a result of their exclusion. Likewise, intersection between marketplace unfairness and consumer experience of vulnerability can also be generalized to vulnerable consumer groups as well as to mainstream consumer groups. They are expected to experience vulnerability when they encounter unfairness from the sellers. These kinds of theoretical concepts were characterized by data from all the study participants. Moreover, the research findings are also considered transferable when they make sense in the light of previous studies. This doctoral research utilized extant literature and many previous studies on low-income consumers in financial service industry showed similar kind of patterns.

*Dependability* is the degree to which the results are unique to time and place; the stability or consistency of explanations (Storbacka et al., 2011; Flint et al., 2002, p.106). The participants explained several experiences which illustrated their harm in everyday lives due to financial exclusion. The empirical data shows consistent stories of unbanked low-income participants regarding their experience of vulnerability owing to financial exclusion. The dependability of research is also determined by providing information to readers that the research process was logical, traceable and documented. These aspects enhance trustworthiness of a research (Eriksson & Kovalainen, 2008). Overall, this doctoral study's transcribed primary data resulted in almost 650 handwritten A4 size pages, which was analyzed systematically. The analysis procedure is explained in the summary part as well as in each of the articles in detail. Moreover, since the qualitative data was analyzed without the help of any computer software, which helped the researchers to create a strong familiarity with the data and this also helped to analyze the primary data in a suitable manner.

*Confirmability* is the last element of trustworthiness. It refers to the degree to which interpretations are results of informants and the phenomenon under investigation as opposed to researcher biases (Storbacka et al., 2011, p. 38; Flint et al., p. 106). This doctoral research results emerged as a result of active participation of both the researchers and the informants interactions. The findings were explained in a manner that is easy to understand and useful for both theoretical and practical purposes. The data interpretations were altered, developed and refined (Storbacka et al., 2011). Verbatim quotes from the interview passages were given in the four articles to strengthen, support and prove the data interpretations and explanations.



## TIIVISTELMÄ (FINNISH SUMMARY)

Kamran, Sohail

Pienituloisten, pankkipalveluiden ulkopuolellejääneiden kuluttajien haavoittuvuus markkinoilla: Kehittyvän maan näkökulma  
Jyväskylän yliopiston kauppakorkeakoulu, Jyväskylän yliopisto.

Taloudellinen ekskluusio on tunnistettu merkittäväksi tekijäksi sosioekonomisen eriarvoisuuden syntymisessä. Eksklusion takia taloudellisesti haavoittuvat kuluttajaryhmät on suljettu tärkeiden rahan ja pankkeihin liittyvien palveluiden ulkopuolelle. Taloudellista eksklusiota tapahtuu eniten kehittyvissä maissa. Aihetta ei ole juurikaan tutkittu markkinoinnin alalla eikä myöskään pankkipalveluiden ulkopuolella elävien kuluttajien näkökulmasta. Vaikka taloudellinen ekskluusio heikentää pienituloisten kuluttajien hyvinvointia, vain harvoissa hyvinvointiin liittyvissä tutkimuksissa on tarkasteltu pienituloisten kuluttajien asemaa markkinoilla kehittyvissä maissa. Tämän väitöskirjan tavoitteena on tutkiapienituloisten, pankkipalveluista poissuljettujen kuluttajien kokemaa haavoittuvuutta heidän arkielämässään. Tutkimuksen aineisto kerättiin pankkipalveluiden ulkopuolella olevien kuluttajien piirissä puolistrukturoitujen haastattelujen avulla.

Väitöskirja sisältää neljä tutkimusartikkeliä. Tulokset tuovat esille sen, että pienituloiset, pankkipalveluiden ulkopuolella elävät kuluttajat ovat alttiita kokemaan haavoittuvuutta markkinoilla. Ensinnäkin tulokset osoittavat, että pienituloiset, pankkipalveluiden ulkopuolella elävät kuluttajat kokevat hallinnan tunteen menetystä päivittäisissä raha-asioissa. He kokevat myös voimattomuutta, eli erilaisia häiriöitä henkilökohtaisessa, sosiaalisessa ja taloudellisessa toiminnassaan. Toiseksi, kuluttajat hyödyntävät erilaisia saatavilla olevia ja toimivia resursseja, joiden avulla he hallitsevat arkisia rahan liittyviä tehtäviä ja siten selviytyvät huolimatta pankkipalveluiden ulkopuolelle jäämisestä. Rajalliset taidot ja resurssit kuitenkin usein heikentävät pienituloisten kuluttajien mahdollisuutta selviytyä pankkipalveluiden ulkopuolelle jäämisestä. Tämä johtaa haavoittuvuuden kokemiseen. Kolmanneksi, epäformaalit taloudelliset instituutiot, eli rotaatioon perustuvat luottoyhdistykset (Rotating Savings and Credit Association, ROSCA/Committee) eivät kykene korvaamaan formaaleja rahoitus- ja pankkipalveluita tarjoavia instituutioita, eivätkä kaikissa tilanteissa edistä jäsentensä kykyä hallita ja hoitaa tavanomaisia raha-asioitaan. Pankkitoiminnan ulkopuolella elävät haastateltavat kertoivat usein kokevansa monenlaisia vaikeuksia ja riskejä pyrkiessään säästämään rahaa ja hankkiessaan lyhytaikaista luottoa epäformaalien instituutioiden kautta. Taloudellinen ekskluusio on pysyvä syy pienituloisten kuluttajien haavoittuvuudelle. Neljänneksi, tulosten mukaan pankkien palveluiden oikeudenmukaisuudessa on ongelmia, jotka estävät pienitulosten kuluttajien taloudellisen osallisuuden toteutumista. Pienituloiset kuluttajat kokevat saavansa epäreilua kohtelua, mikä vahvistaa haavoittuvuuden tunnetta.

Väitöskirja tuottaa uutta tietoa taloudellista eksklusiota käsittelevään kirjallisuuteen tarkastelemalla niitä tekijöitä, jotka johtavat pienituloisten kuluttajien jäämiseen pankkipalveluiden ulkopuolelle. Tutkimus tuo esille näiden kuluttajien ongelmia päivittäisten raha-asioiden hoitamisessa. Väitöskirja tuottaa uutta tietoa kuluttajien haavoittuvuutta käsittelevään kirjallisuuteen nostamalla esiin haavoittuvuuden, joka on peräisin suojaattomasta taloudellisesta ympäristöstä sekä markkinoilla ilmenevästä epäoikeudenmukaisuudesta. Väitöskirjan neljä artikkelia tuottavat monia käytännön implikaatioita, joita voi hyödyntää taloudellisen osallisuuden edistämässä sekä heikossa asemassa olevien kuluttajien hyvinvoinnin parantamisessa.

**Avainsanat:** Taloudellinen eksklusio, Ulkopuolisuus pankkipalveluista, Haavoittuvuus, Voimattomuus, Selviytymiskeinot, ROSCA, Oikeudenmukaisuuden teoria, Pankit, Kehittyvä maa, Pakistan.

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## APPENDIX-1- INTERVIEWS GUIDELINE IN URDU AND PUNJABI LANGUAGES

### انٹرویو گائیڈ اردو اور پنجابی میں

#### 1- ذاتی سوالات

- ۱- نام
- ۲- عمر
- ۳- ماہانہ آمدنی
- ۴- تعلیم
- ۵- پیشہ
- ۵- جنس (مرد/عورت)
- ۷- زبان
- ۸- رہائشی علاقہ

#### 2- بنک اکاؤنٹ نہ کھولنے کی وجوہات 1 بنک اکاؤنٹ نہ کھولنے کی وجوہات

- ۱- سماجی و ثقافتی وجوہات و خاندانی وجوہات 1 مثال کے طور پر شوہر یا والدین کی ناراضگی/سماجی تے ثقافتی وجوہات تے خاندانی وجوہات مثال دے طور تے والدین یا شوہر کی ناراضگی۔
- ۲- مذہبی وجوہات 1 کوئی مذہبی وجوہات
- ۳- ذاتی وجوہات 1 کوئی ذاتی وجوہات
- ۴- بنک کی پالیسی جیسے عوامل مثال کے طور پر بنک اکاؤنٹ کھولنے کے لیے ضروری کاغذات 1 بنک کی پالیسی جے عوامل مثال دے طور تے بنک اکاؤنٹ کھولنے واسطے کاغذات وغیرہ دی ضرورت۔
- ۵- گھر سے بنک کا فاصلہ 1 گھرتوں بنک کا فاصلہ
- ۶- آپ کے ذاتی مالی حالات 1 تواڑے اپنے مالی حالات
- ۷- مستقبل میں بنک اکاؤنٹ کھولنے کا ارادہ 1 مستقبل دے وچ بنک اکاؤنٹ کھولنے کی نیت
- ۸- بنک اکاؤنٹ کھولنے کے فائدے و نقصانات 1 بنک اکاؤنٹ کھولنے دے فیدے تے نقصانات
- ۹- بنک عملے کے ساتھ ذاتی تجربات 1 بنک عملے دے نال تواڑے تجربات
- ۱۰- بنک عملے کے آپ کے ساتھ سلوک کے بارے میں آپ کے خیالات اور ان کے نتائج 1 بنک عملے دے تواڑے نال سلوک تے اودے

نتائج

3- پیسے بچھنے، وصول کرنے اور ادائیگیوں کے طریقہ کار | پیسے چھن، وصولی کرن، ادائیگی کرن دے طریقے

- a- آپ کی رائے میں اس طریقے کے کیا فائدے اور نقصانات ہیں | تو اڈے خیال وچ اس طریقے دے کی فیدے تے نقصانات نے  
b- اس متبادل طریقے کے ساتھ اپنی روزمرہ کی مالی ضروریات پوری کرنے کے بارے میں آپ کے کیا تجربات ہیں تفصیل سے بتائیں |  
اس متبادل طریقے دے نال اپنی روزمرہ کی مالی ضروریات پوریاں کرن دے بارے وچ تو اڈے تجربات کی تے تفصیل دے نال دو

4- رقم بچت کرنے کے طریقے | رقم بچت کرن دے طریقے

- a- اس طریقے کے کیا فائدے اور نقصانات ہیں | تو اڈے خیال وچ اس طریقے دے کی فیدے تے نقصانات نے  
b- اس طریقے سے رقم کی بچت کرنے کے بارے میں آپ کا ذاتی تجربہ کیا ہے | اس طریقے دے وچ رقم دی بچت کرن دے بارے وچ  
تو اڈا ذاتی تجربہ کیا اے۔

5- جب آپ کو قرضے کی ضرورت ہوتی ہے تو آپ کن طریقوں سے قرضہ حاصل کرتے ہیں | جدوں تو انوں قرضے دی ضرورت ہوندی  
اے تے تسی کناں طریقیاں دے نال اپنی قرضے دی ضرورت پوری کر دے او

- a- آپ کی رائے میں اس طریقے کے کیا فائدے اور نقصانات ہیں | تو اڈے خیال وچ اس طریقے دے کی فیدے تے نقصانات نے  
b- اس طریقے سے قرضہ لینے کے بارے میں آپ کے ذاتی تجربات کیا ہیں | اس طریقے دے نال قرضہ لین دے بارے وچ اپنے تجربات  
دو

6- کمیٹی

- a- کمیٹی کے معاملات کس طرح چلتے ہیں | کمیٹی دے معاملات کس طرح چل دے نے  
b- تنظیمی معاملات (ممبرز اور کمیٹی کے معاملات چلانے والے) | تنظیمی معاملات (ممبرز تے کمیٹی دے معاملات چلانے والے)  
c- کمیٹی ڈالنے کے فائدے (رقم بچت کرنے اور قرضہ لینے کے لیے) | کمیٹی ڈالنے دے فیدے (رقم بچت کرن تے قرضہ لین وچ)  
d- کمیٹی ڈالنے کے دوران ذاتی مسائل کے بارے میں اپنے تجربات بتائیں | کمیٹی ڈالنے دے دوران جیڑیاں مشکلاں تو انوں پیش آمدیاں  
نے اودے بارے وچ دو

- e- جو لوگ کمیٹی کے پیسے لیکر بھاگ جاتے ہیں ان سے نمٹنے کے طریقے اور ان مشکلات کو کیسے حل کیا جاتا ہے | جیڑے لوگ کمیٹی دے پیسے  
لیکے نس جان دے نے انوں دے نال نمٹن داکی طریقے اے تے اس طرح دیاں مشکلات نوں کس طرح حل کیتا جاندا اے  
f- کمیٹی سے پیسے لینے کے بعد آپ کو کس قسم کی مشکلات پیش آتی ہیں | کمیٹی توں پیسے لین دے بعد تو انوں کس قسم دیاں مشکلات پیش آمدیاں

نے

## **ORIGINAL PAPERS**

### **I**

#### **VULNERABILITY OF THE UNBANKED : EVIDENCE FROM A DEVELOPING COUNTRY**

by

Kamran, Sohail & Uusitalo, Outi, 2016

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## Vulnerability of the unbanked: evidence from a developing country

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### Keywords

Consumer vulnerability, unbanked consumers, financial exclusion, low-income consumers, developing countries, consumer well-being.

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### Abstract

Financial exclusion is an apparent phenomenon globally, the majority of people without bank accounts living in the developing countries. Those who lack access to financial services could experience vulnerability. Therefore, the purpose of this study was to unfold the vulnerability of the low-income unbanked consumers in a Pakistani context. Qualitative data were gathered from low-income unbanked consumers through in-depth interviews. The findings suggest that unbanked consumers are vulnerable in many ways. The participants faced several negative consequences due to their financial exclusion, which resulted into their personal, economic and social detriment. Based on our study findings, we provide managerial and public policy implications for the well-being of the low-income unbanked consumers. Lastly, study limitations and future study guidelines are discussed.

### Introduction

Globally, over 2.5 billion adults have no bank account and the majority of those live in developing countries (Demirgüç-Kunt and Klapper, 2012). For instance, 85% of Pakistan's population are unbanked (Ahmad, 2014). These people are totally financially excluded (Devlin, 2009) and may experience vulnerability (Wang and Tian, 2014). Vulnerability is a tendency to be wounded; it is vulnerability to detriment of different sorts (Ståsett, 2007, p. 51). Those who lack access to financial services are exposed to harm (Cartwright, 2011; Kempson and Collard, 2012) that explains their experience of vulnerability. Researchers have usually focused on consumer vulnerability in the context of micro-credit from private and informal money lenders (e.g. Palmer and Conaty, 2002; Mariwah, 2012). However, previous studies have rarely examined the unbanked consumers from the perspective of broader vulnerability. Contemporary consumers need access to banking services for paying off their bills and purchases, for obtaining loans, or to save and transfer money securely (Kempson and Collard, 2012). Thus, those who lack access to a bank account may experience vulnerability in managing their day to day finances.

Low-income groups are at a high risk of facing financial exclusion (Kempson and Whyley, 1999; Carbo *et al.*, 2007). While inequality is common in various areas of consumption, studies on consumption and marketing rarely mention financial inequality (Ekström and Hjort, 2009). Countries with the highest levels of income inequality have higher levels of financial exclusion (Kempson, 2006). Low-income consumers are commonly financially excluded resulting in them to face inequality in the marketplace. The World Bank categorizes developing

countries' inhabitants earning below USD4000 per annum in a low-income group (Ahmad, 2013). Low-income consumers often encounter difficulties in accessing basic services including financial services (Lee and Murie, 1999). Therefore, this study focuses on the vulnerability of unbanked low-income individuals. The study is carried out in Pakistan, where a significant proportion of the population lives on less than USD4000. Low-income people are separate from the bottom of the pyramid consumers (Viswanathan *et al.*, 2010; Jebarajakirthy *et al.*, 2015) who live on USD1.25 a day (World Bank, 2008).

The study aims to delineate means to improve the well-being of low-income consumers by suggesting routes to aid financial inclusion of the disadvantaged population. The objective of this paper is to unfold the areas of vulnerability due to financial exclusion. It examines how low-income unbanked consumers in a developing country experience vulnerability and how they encounter it in their daily life. The study contributes to the literature of financial exclusion by providing new insights from a developing country context where consumer related issues are rarely explored. Second, it contributes to understanding consumer vulnerability by showing the critical issues faced by unbanked consumers. Thus, the study provides insights into the ways that low-income consumers encounter vulnerability in their everyday lives.

### Consumer vulnerability

Previous studies have taken different approaches to consumer vulnerability. While there is no consensus about the definition of vulnerability it usually refers to consumer detriment which is caused by internal and external factors (e.g. Smith and

Cooper-Martin, 1997; Baker *et al.*, 2005). Internal factors of vulnerability are linked to the personal characteristics of individuals such as low-income (Hamilton and Catterall, 2005) and low literacy or illiteracy (Adkins and Ozanne, 2005). External factors are beyond individuals' control (Baker *et al.*, 2005, p.130), such as marketplace discrimination, which adversely affects well-being of underprivileged consumers (Walsh, 2009). For instance, 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.'

Baker *et al.* (2005) underscore that consumer vulnerability is multidimensional and contextual because anybody can feel vulnerable in different situations, which do not represent a permanent state. An individual may feel vulnerable when she/he is unable to make an important purchase because an internal or external factor impedes it. This definition also implies that financially excluded consumers may experience marketplace vulnerability (Wang and Tian, 2014) as different internal and external factors impede their financial inclusion (Leyshon and Thrift, 1995; Kempson and Whyley, 1998, 1999; Matin *et al.*, 2002; Kempson, 2006; Carbo *et al.*, 2007). Moreover, financial exclusion could be a relatively permanent state for the unbanked consumers in many developing countries as policy response to combat financial exclusion issue is rather passive. This complacency is evidenced by high financial exclusion rates in several developing nations (Honohan, 2008).

The low-income and illiterate are likely to experience vulnerability (Burden, 1998) and require additional support in the marketplace (Brennan, 2006). However, there is no empirical evidence that the individual characteristics are the sole basis for vulnerability (Baker *et al.*, 2005, p. 130), but vulnerability can also be caused by a person's environment. People may feel vulnerable because of barriers that restrain them from participating in society (Baker and Mason, 2012). The external factors that cause vulnerability are beyond individuals' control and include stigmatisation and repression, distribution of resources, physical elements, logistical elements, and other environmental conditions, such as economic, social and political upheaval or violence. These factors contribute to power imbalances in exchange relationships that disfavour consumers (Baker *et al.*, 2005, p. 130). Hill and Stamey (1990) note that homeless people's internal characteristics make them vulnerable, whereas external factors such as societal and structural conditions contribute to the circumstances in which they live because those factors are beyond their control.

Smith and Cooper-Martin (1997) distinguish between perceived and actual vulnerability. Perceived vulnerability is present when others consider an individual vulnerable (i.e. based on demographical characteristics or environmental circumstances), but the individual is either not vulnerable or does not admit her/his vulnerability. Conversely, actual vulnerability occurs when vulnerability is experienced by consumers. Actual vulnerability can be recognized and understood only by listening to and observing consumers' experiences. Studying consumer vulnerability from an environmental and demographic standpoint is problematic because doing so casts vulnerability as both one-dimensional and permanent (Baker *et al.*, 2005;

Baker, 2009). Nevertheless, this view of consumer vulnerability is helpful for both policy makers and marketing practitioners to identify customers or groups of customers who need extra assistance (Baker, 2009). It is real vulnerability that should be addressed by public policy makers and marketers (Baker *et al.*, 2005, p. 128). According to this view of actual vulnerability, both internal and external factors render a person vulnerable in the marketplace (Baker *et al.*, 2005). For instance, consumers with low incomes (internal factor) are discriminated against by the financial services providers' policies (external factor) (Matin *et al.*, 2002).

In the context of financial services, different internal and external factors trigger financial exclusion (Leyshon and Thrift, 1995; Kempson and Whyley, 1998, 1999; Hogarth and O'Donnell, 2000; Matin *et al.*, 2002; Kempson, 2006; Carbo *et al.*, 2007) rendering the financially excluded individuals vulnerable (Cartwright, 2011; Wang and Tian, 2014). However, actual vulnerability (Baker, *et al.*, 2005) of the unbanked individuals arises when they encounter the difficult circumstances in their everyday lives without having workable means to cope with the detriment. In light of the above literature, we understand that financially excluded individuals are vulnerable consumers. Our empirical study seeks more thorough understanding of unbanked individuals' experiences of vulnerability in the context of financial services.

## Financial exclusion

Financial exclusion is a term that refers to people who lack access to financial products (Kempson and Whyley, 1999), in particular, to essential banking services (Kempson and Whyley, 1999; Panigyrakis *et al.*, 2002). An individual lacking access to transaction banking, savings, credit or insurance is considered financially excluded (World Bank, 2005). In extreme cases, people are completely excluded from the mainstream financial system (Devlin, 2009) and have no access to any financial services in an appropriate form (Panigyrakis *et al.*, 2002).

Exclusion from the basic services aggravates both financial poverty and stress of some customer groups (Speak, 2000). People without a bank account encounter problems when cashing cheques and need to get their cheques cashed from third parties names (e.g. companies) who charge commissions for this service (Kempson and Whyley, 1998). Financial exclusion can also adversely affect self-esteem and lead to deprivation of social connections. In some instances paying through cash can raise suspicion in others' minds that the money is stolen, which may also result into humiliation and lower self-esteem (Collard and Kempson, 2005). Households without a bank account in the UK usually pay more for basic household services (Kempson and Whyley, 1999). For instance, people paying their utility bills in cash pay more per year than people paying through direct debit (Kempson and Whyley, 1998, 1999). Similarly, unbanked people face difficulties in accepting a job offer because the employer usually uses a bank account for salary payments (Kempson and Whyley, 1999). People keeping savings in cash in their homes are vulnerable to robbery (Kempson and Whyley, 1999) and cannot get interest on their savings (Kempson *et al.*, 2005).

**Table 1** Participants demographical details

S#	Alias	Sex	Age	Occupation	Education	Income	Residence
1	Jani	M	43	Water bore worker	High school	15 000–20 000	Local
2	Mani	M	27	Café Worker	High school	12 000	MW
3	Papu	M	26	Tailor	School leaver	17 000–18 000	MW
4	Khan	M	44	Taxi driver	Illiterate	15 000–16 000	Local
5	Bano	FM	36	Housemaid	Illiterate	15 000	MW
6	Raja	M	41	Vegetable seller	School leaver	15 000–17 000	Local
7	Izza	FM	55	Housewife	School leaver	20 000	Local
8	Rani	FM	25	Housemaid	Illiterate	8000	MW
9	Pola	M	29	Grocery shopkeeper	Undergraduate	15 000–16 000	MW
10	Nomi	M	21	Cashier in café	Completed school	11 000	MW
11	Nori	FM	40	Cleaner in school	Illiterate	7000–8000	MW
12	Babu	M	42	Whitewasher	Completed college	12 000–15 000	Local
13	Jelo	FM	40	Pvt school teacher	Completed college	7000	Local
14	Shan	M	26	Salesman in a Shop	High School	10 000	MW
15	Niaz	M	26	Tailor	Illiterate	15 000–18 000	MW
16	Bibi	FM	45	Housemaid	Illiterate	8500	MW
17	Babli	FM	46	Tailoring from home	Illiterate	10 000–12 000	MW
18	Sami	M	22	Grocery shopkeeper	School leaver	15 000–20 000	MW
19	Bari	M	34	Barber	Illiterate	10 000–12 000	MW
20	Rema	FM	23	Housemaid	Illiterate	7000–8000	MW
21	Mana	M	24	Cleaner in a firm	School leaver	7500	MW
22	Malik	M	47	Labour supervisor	School leaver	15 000–20 000	MW
23	Nelo	FM	25	Housemaid	Illiterate	10 000	MW
24	Noor	M	32	Tailor	Illiterate	10 000–12 000	MW
25	Rifi	FM	50	Housemaid	School leaver	10 000	MW
26	Zain	M	30	Tailor	School leaver	15 000–20 000	MW
27	Sher	M	64	Dry cleaner	School leaver	10 000–15 000	Local
28	Kaka	M	26	Welder	School leaver	13 000	Local

Local: Permanently living and working in Rawalpindi or Islamabad. MW: Migrant workers moved alone or with family to City for work from different villages of Pakistan.

Likewise, financially excluded people lack access to short-term credit and often use high-cost private or illegal money-lenders (Kempson and Whyley, 1999; Wallace and Quilgars, 2005). Usually, the relationships among customers and illegal money lenders rest on fear and threats (Ellison *et al.*, 2006). These moneylenders charge very high interest rates, which also increases economic stress of low-income people (Herbert and Hopwood-Road, 2006).

A vast majority of the Pakistani population lives without a bank account. Many unbanked consumers utilize mobile money services (Morawczynski, 2009), and cope with the inefficiencies of financial service providers (Flood *et al.*, 2013). They can receive and transfer funds, purchase goods and pay bills through mobile money service. However, only 5% of Pakistanis use mobile money services (Kironget, 2014). Likewise, only 2% of the poor in Pakistan have access to microfinance services, which is significantly less than neighbouring countries (Kironget, 2014). Similarly, discrimination of financial institutions against poor (Leyshon and Thrift, 1995; Matin *et al.*, 2002) also impedes low-income consumers' financial inclusion. Moreover, Kempson and Whyley (1998) note that in the UK, some people of Pakistani and Bangladeshi origin face religious obstacles to banking because conventional banking practices are prohibited under Islamic law. In a Muslim country such as Pakistan some people may resist opening a bank account due

to religious reasons. Nevertheless, all of the above factors may render the unbanked vulnerable in the Pakistani marketplace.

## Methodology

This study used the semi-structured interview method to collect data from disadvantaged consumers in Pakistan, to explore the experiences of completely financially excluded individuals (cf. Miles and Huberman, 1994, p. 10). We recruited 28 interviewees from four lower-social-class areas in Rawalpindi and Islamabad. The criterion for selecting the participants was that they did not have a basic bank account. We used purposeful sampling, which entails the recruitment of informants who could provide detailed information about the studied issues. Four participants who had been informed about the participant qualification criterion helped to recruit participants in their respective neighbourhoods. The sample included 10 females and 18 males, most of who worked in various low-income professions. Moreover, eight participants were local residents and 20 were rural migrant workers in Rawalpindi and Islamabad. Participants' monthly incomes ranged from 7000 to 20 000 Pakistani rupees (70–200 USD). Moreover, most of the participants either were illiterate or had left school in their early years. Table 1 displays the participants' demographic characteristics.



### Data collection

The interviews were conducted in various locations, including homes, small restaurants and shops during their less busy hours. All of the participants volunteered to participate in the study; they were provided with monetary incentives. University ethical guidelines were followed in working with the participants. The participants were provided with an information sheet and a consent form before the interview. Given that most of participants were either less literate or illiterate, the information sheet and consent form were explained to them orally before the interview. Moreover, the participants received assurances of confidentiality and anonymity. The interview guideline included questions about different factors that hinder individuals from opening a bank account and about the adverse consequences of financial exclusion. Further, the guide included questions about methods used by the participants to transfer money, save money and obtain short-term credit as well as demographic questions.

During the interviews, the wording and sequencing of the questions were kept flexible to accommodate both the situation and the interviewees' characteristics. A non-directive questioning method was used to encourage the informants to discuss the issues in detail (Elliott and Jankel-Elliott, 2003). Twenty-five interviews were conducted in Urdu and three in Punjabi. All interviews were conducted by the first author, and audio recorded with the participants' consent. The interviews were conducted until we reached the theoretical saturation point, that is, the point at which the informants are providing no new information (Flick, 1998). The length of these interviews ranged from 22 min to 1 h with an average of 33 min. Tape-recorded interviews of more than 15 h were transcribed, resulting in 474 hand-written A4 pages. Pseudonyms are used to maintain interviewees' anonymity and confidentiality (Eriksson and Kovalainen, 2008).

### Data analysis

Thematic analysis was performed to identify, analyse and report patterns within data (Braun and Clarke, 2006). The accuracy of the transcripts was re-checked by listening to the audio records many times, which is considered an important step in data analysis that takes an interpretive, qualitative approach (Bird, 2005). After reading and familiarising ourselves with the data, initial codes were identified within the data set. After producing a list of codes, a broader analysis was performed to identify the potential to combine codes with different themes. This process helped us to identify the main themes which were initially reviewed at the coded data extract level; subsequently, they were reviewed at the entire data set level. We then attempted to explain the meaning of each theme and identified which parts of the data were related to each theme. Themes were given names that explain their relevance to the research question (Braun and Clarke, 2006).

### Findings

Based on the analysis of the data and literature review, we find that vulnerability of financially excluded consumers in a developing country originates from various external and internal

factors, and different subgroups experience vulnerability in different ways. Moreover, unbanked consumers experience vulnerability in the shape of negative consequences of personal, economic and social lives.

The findings portray that unbanked consumers experience vulnerability at varying degrees and in various ways. Local residents had opportunities and some degree of control: they rarely transferred money to other destinations and usually acquired loans from their social contacts which made them less vulnerable as compared to the rural migrant workers. Nevertheless, they experienced vulnerability in other ways. For instance, they faced adverse consequences such as fear of robbery while keeping savings at home, difficulties in saving money, time wastage during bill payments; lack of business opportunities and damaged relationships. The unbanked rural migrant workers were particularly vulnerable due to the lack of opportunities. They transferred money regularly to villages in different ways, usually acquired loans from informal lenders and saved money in different manners which often resulted into their detriment of different sorts (e.g. costly and risky transporting money to another village or town centre).

Male and female participants experience similar types of vulnerability in their attempt to save, to acquire short-term credit and in utility bills payments. Differences were observed related to external factors. Except two, all males transferred money frequently to their families in villages and to other destinations. As regards female participants, half of them had never transferred money to other destinations, others transferred money irregularly, and they rarely transferred money to their own parents or to family members. This is connected to the cultural context of Pakistan, where it is male members' responsibility to financially support their parents and sometimes extended families.

The majority of participants were illiterate or less literate i.e. school leavers. However, a few were educated to high school or college level and one completed an undergraduate degree. Similar patterns in experiencing vulnerability were manifested in terms of savings, money transfers and bills payments in literate and illiterate groups due to lack of opportunities and control. However, none of the seven literate participants acquired loans from the informal money lenders due to their knowledge about the detriment resulting from this. Moreover, some illiterate and low-literate participants had little information about the banks and benefits of having a bank account. Conversely, all educated participants had rather good knowledge of banks and the ways they can improve their well-being. Participants of different ages transferred and saved money, paid utility bills, required short term credit. In particular, older aged participants did not go to banks because their bills were paid by their family members. Lastly, participants employed by informal employers and self-employed participants reported almost similar patterns of detriment for being unbanked. However, a few participants who were self-employed or doing their own small business reported to have lack of business opportunities because some prospective clients may only pay through cheques or bank transfer. Further, a few self-employed workers also reported to feel embarrassed when their clients offered them to pay them through bank.

This study shows that external factors are major contributors in making the low-income consumers unbanked and experience vulnerability. External factors were related to socio-cultural environment such as family members' disapproval to open a bank account and religious reasons. In addition, low-income consumers face barriers at bank staff, bank policy and regulator level. Participants presented accounts that when attempting to open a bank account banks staff gave them inadequate information, wasted their time, passed discriminatory statements and provided poor service. At bank policy level, most banks tend not to expand their branch networks to geographically remote areas. Most of Pakistan's population lives in rural areas, thus a large proportion of the rural population lacks access to bank branches. The participants in this study were urban residents who did not face significant geographical barriers to banking. For instance, in the UK context only 1% of the unbanked households reported that non-existence of a bank branch nearby their home is a reason of their financial exclusion (Kempson and Whyley, 1999). Moreover, regulatory barriers hinder low-income consumers from opening, for example the requirement of an initial deposit from the new customers, and documentation requirements for opening a bank account.

Salaries paid in cash impede some low-income consumers to open bank account. Our study findings are dissimilar to Kempson and Whyley (1999) underscoring difficulties for unbanked people to accept a job offer because employers pay salaries in banks in the UK. Pakistan has a significant size of informal economy and employers generally pay salaries in cash and they usually do not issue any employment letter/contract to employees. Consequently, they cannot fulfil the documentation requirements for bank account opening.

In the following section we discuss the themes that illustrate how the participants described their experience of vulnerability.

### Personal consequences

The participants reported personal consequences of being unbanked as fear of robbery, time wastage, intimidation from lenders and sense of deprivation.

The data indicates that unbanked individuals face the fear of robbery in several ways. Participants reported to keep their money in boxes and in other safe places within their home not just for saving purposes but for emergency use too. Meanwhile, they reported to have serious concerns about the safety of their savings kept in home. The feeling of fear of robbery was linked in some cases to the poor law and order situation prevalent in the country. In other cases, the fear was due to participants close relatives, who were looted. Accordingly, a bank account was considered an important aid in achieving security and avoiding fear.

*Opening a bank account has this benefit that if I have deposited money that will remain safe (Noor, 32).*

Further, those individuals who took salaries in cash from their employers also reported fear of robbery. Participants felt helpless and raised the question: if they lose their savings, how will they survive? A male participant who works as a salesman in a shop and whose salary is paid in cash expresses his fear of robbery as follows:

*Often I am afraid that some thing bad may happen. Some one might snatch money from me. This is the only money which I have. If this is snatched then what will I do?(Shan, 26).*

Some participants reported to handing over savings to their trusted social contacts such as family member or friend and requesting money whenever they needed. Meanwhile, other participants expressed their apprehension that the person who minds their money may keep it. Participants who had transferred money to their families in villages through drivers reported fear of robbery on the way. Many participants were financially supporting their families who were residing in villages. These people expressed a genuine concern of their families' economies and welfare.

Financially excluded individuals necessarily have to go to bank branches or other outlets to pay their utility bills in cash. This often results in wasted time and exhaustion because of long queues. The low-income consumers who are unbanked mostly rely on informal work and do not enjoy paid holidays. Time wastage during working hours implies that they either lose proportion of their daily wages or are reprimanded by their employers in different ways. This cost is due to both their working in low paid or informal jobs and banks bills payment procedures. Thus, the internal and external factors interplay causing the low-income participant vulnerability. A maid explains her concerns as follows:

*There are long queues. The entire day passes, and then we have to listen to comments from people where we work about arriving late. 'We need you, guests are coming.' We listen to comments, then time is wasted. . . It is tiring, but what we can do? We are helpless (Bano, 36).*

Moreover, a number of participants reported that bank staff had wasted their time when they tried to open a bank account. With little or no literacy skills to understand bank account opening requirements and bank staff's poor service, consumers have to spend time to get the task done. A participant who visited a bank to open an account was unable to do so and had to go to the bank several times, mainly because of documentation requirements. He reported that he was not given any immediate candid advice by the bank's front desk about his eligibility to open a bank account.

*They should have told me very first day that your account will not open. They told me this on third day. I kept going there for three days (Zain, 30).*

Numerous participants reported emotional distress after acquiring loans from informal sources. While participants in general disliked taking a loan from informal lenders many did so because they were unable to acquire the desired amount of loan from their social contacts. The restricted income led in some cases to difficulties in paying back the loan instalments. Thus, both poverty and external factors i.e. lack of social support and informal lenders aggressive behaviour render the unbanked vulnerable. Some participants experienced intimidating behaviour from moneylenders. They reported that the lenders insult them in front of neighbours and other people in the event of delay/non-payment of instalments. They also face threats from lenders that their home movables could be confiscated. The following excerpt explains this dilemma.

*If we do not pay our instalments on time, they come to our home. Then, they say that they will take our movables. They will take our things. They will take our TV with them. They do this if we do not repay them on time (Nori, 40).*

Financial exclusion resulted in a sense of deprivation. It stemmed from poverty and the experience of bank staff's discrimination against low-income customers. Some participants elucidated that low-income consumers are not treated on equal grounds by the bank staff. They are aware that they have to face detriment and they felt that they are unwanted consumers in financial services due to their poor economic circumstances. A sense of deprivation arose from the belief of being unbanked due to poverty. A female participant who cannot open a bank account explains it as follows:

*I really wish to open a bank account, I also want that I have an ATM card through which I withdraw money but I can not do this due to lack of money (Izza, 55).*

### Economic consequences

The unbanked consumers face adverse economic consequences in shape of difficulties in saving money, high cost money transfer and lack of business opportunities.

Almost all participants reported having saved money for emergency use. However, they demonstrated varying degree of self-discipline to saving. For instance, those with higher self-discipline could keep savings at home but those who lack this skill reported difficulties in saving money without a bank account as they are tempted to spend money on unnecessary purchases. Participants saved money for a specific need in mind or for emergency use such as doctor fee in the event of illness. Lack of access to a bank account impeded some participants' saving endeavours. The following quote explains this.

*There is a disadvantage if you save one thousand rupees. If you deposit them in account, then they are saved. You can save another thousand, but if you do not have a bank account, then you might say, 'I have one thousand Rupees, let me spend it' (Malik, 47).*

Sending money to families in villages through SMS-based money transfer facilities offered by Pakistani telecom companies was a common practice among the participants. However, the high service charges force the low-income consumers to compromise another need to pay for money transfers. Some participants felt being exploited by SMS money transfer service providers due to their financial exclusion. They were aware that money transfers through banks cost significantly less than SMS money transfer facilities, which elucidates their helplessness. Using SMS-based money transfer facilities was opposed due to the high costs, and some participants preferred to use lorry drivers for transferring money to their respective villages. Although considered unsafe by participants but they preferred this option over SMS-based money transfer in order to avoid the economic detriment. When money transfer via the truck driver option was not accessible, participants also utilized SMS-based money transfers.

A male participant elucidates his concerns about the high costs of money transfer and feelings of helplessness as follows:

*This is 'easy paisa'—if I have to send 4000 rupees, they take 240 rupees. This is a loss. I could have purchased a meal for my family with that money (Malik, 47).*

Financial exclusion can result in the lack of business opportunities. Some self-employed participants reported experiencing this type of detriment as they were unable to get work from high rate paying clients. Due to extremely high rate of financial exclusion among low-income groups in Pakistan these consumers may not find an individual within their social network, who could help them to cash their cheque. This exacerbates their financial detriment and experience of vulnerability. A participant who is a self-employed bore worker explains that being financially excluded, he cannot take high-rate work from firms because they pay through cheques or into bank accounts:

*I do not have a bank account, so I cannot take high-rate work. I cannot take government work or any company work because all of the companies pay with cheques (Jnai, 43).*

### Social consequences

The unbanked consumers face adverse social consequences in form of embarrassment and damaged relationships.

Those who lack access to financial services are often excluded in other ways, and financial exclusion often strengthens other aspects of social exclusion (FSA, 2000, p. 7). Although in Pakistan a vast majority of people lack access to financial services, it results in embarrassment for some unbanked individuals. A participant who interacted with a client for money payment explained that he felt embarrassed when his client learned that he did not have a bank account.

*Once, I did some work and they had to pay me some money. Then one of his brothers, I think he was in Karachi... he rang and asked me where I had my bank account. I said that I did not have a bank account, and he laughed and said, 'you do not have a bank account.' I felt ashamed (Jani, 43).*

Those with bank accounts can take loans from banks but unbanked consumers lack access to short-term finance. Consequently, they usually rely on informal money lenders or social contacts such as relatives and friends. A number of participants reported taking loans from their close relatives and friends whereas some reported having damaged relationships as they were not able to return the loan in time. A maid explains how her husband took a loan from his brother but failed to return it due to economic problems. Consequently, the relationship with sister-in-law became sour as she demanded the money back.

*His sister in-law was saying too many things but his brother understands that he is my brother... Then he took his brother outside and said that you give money back in two months (Nelo, 25)*

Some participants who were keeping savings at home feared damaging their relationships with their close relatives. These relatives usually know that they have kept money at home. They cannot decline if their close relatives ask for a loan, and problems arise if their relatives do not repay their loans within an agreed timeframe and agreed lump sums.

To conclude, vulnerability and exclusion is experienced in various personal, economic and social spheres of the individuals' lives. Table 2 displays the internal and external factors that influence vulnerability in the different domains.

**Table 2** Internal and external factors influencing vulnerability and exclusion in personal, economic and social spheres

Types of consequences	Internal factors	External factors
Personal consequences		Fear of robbery a. Poor law and order situation b. Cash salary payments c. Money transfer through drivers
	Time wastage a. Lack of literacy skills to understand bank account opening requirements	Time wastage a. Banks bill payment procedure b. Bank staff's poor service c. Time wastage during an attempt to open a bank account
	Intimidation from lenders a. Difficulties in paying back loan due to poverty	Intimidation from lenders a. Lack of social support b. Informal lenders aggressive behaviour
	Sense of deprivation a. Sense of deprivation due to poverty	Sense of deprivation a. Bank staff discrimination against the poor
Economic consequences	Difficulties in saving money a. Lack self-discipline to save	Difficulties in saving money a. Difficult to save without a bank account High cost money transfer a. High charges of SMS-based money transfer services Lack of business opportunities a. Cannot take high-rate work from firms because they pay through cheques or into bank accounts
		Embarrassment a. When others learn that an individual is unbanked. Damaged relationships a. Lack access to short-term finance. b. Reliance for loan from relatives/friends c. Difficult to decline a loan request to a close relative
Social consequences	Damaged relationships a. Difficulties in paying back loan due to poverty	

## Discussion and conclusions

While previous studies have not explicitly studied unbanked consumers' vulnerability, the major contribution of this study is providing insights into the actual vulnerability (Baker *et al.*, 2005) of the unbanked in a developing nation context. Financial exclusion is present in developed countries, but at a very low rate. The magnitude of problems experienced by financially excluded individuals in a country such as Pakistan is far greater and different than in developed countries. Therefore, the adverse consequences of financial exclusion highlighted by the previous researchers in the developed world context significantly differ from this study's findings. Widespread illiteracy, poverty and social, economic and organisational injustice prevent financial inclusion, which leads to consumers experiencing of vulnerability to different forms of detriment. The disadvantaged position of the unbanked as compared to the mainstream financially included consumers leads the disadvantaged to experience vulnerability. The results portray that low-income unbanked individuals suffer personal, economic and social detriment.

Participants suffer personal detriment in the form of fear of robbery, intimidation from lenders, time wastage and a sense of deprivation. Consistent with previous research (Kempson and Whyley, 1999) this study finds that people keeping savings in cash in their homes are susceptible to robbery. However, this type of vulnerability is expected to be multiple in a developing country like Pakistan because of the problematic law and order

situation. Moreover, due to higher rates of financial exclusion people carrying substantial money in their pockets such as cash salaries, handing their savings to others and transferring money through drivers also encounter threat of robbery. The informal sources of finance and informal lenders are major sources of intimidation which influences consumers' well-being. Pakistan has an extremely high rate of financial exclusion (Honohan, 2008) and only 2% of the poor have access to formal microfinance services (Kironget, 2014). These circumstances make the majority of low-income vulnerable when they need a loan. Likewise, those who are unbanked may waste their time while paying their bills. Previous research highlights in the UK context that unbanked people paying utility bills in cash pay more per year than people paying through direct debit (Kempson and Whyley, 1998, 1999). This is not the case in Pakistan, as cash transactions are used by the majority. Collard and Kempson (2005) found that paying in cash also raises suspicion in others' minds that the money is stolen which may also result into a state of humiliation and lower self-esteem for financially excluded individuals. Yet again, this is not the case in Pakistan as vast majority of transactions are completed in cash because online transfers and plastic money are not widely used. Lastly, unbanked consumers felt deprived as banks discriminate against them due to their poverty. To conclude, these adverse consequences are either multiple or differ significantly from developed countries because of widespread financial exclusion and lack of the socio-economic development in developing countries such as Pakistan.

Financially excluded consumers undergo economic detriment in the shape of difficulties in saving money. While lack of business opportunities is suffered by some unbanked consumers it is not expected to be widespread issue amongst the unbanked in Pakistan. In many developed countries it would be extremely difficult to work as a self employed person or run a small business without a bank account because of the formal economy. In Pakistan, many self-employed and small businessmen are unbanked and manage their business transactions without formal bank accounts as the majority of transactions are completed in cash especially in business to consumer market. However, those who lose their clients due to a bank account requirement suffer this detriment in Pakistan too.

Moreover, low-income consumers are at a disadvantage in the marketplace and often pay more for basic necessities (Caplovitz, 1967; Goodman, 1968) and pay high charges for money transfers through SMS services. Mobile financial services provide opportunities to unbanked individuals to access financial services in developing countries (Morawczynski, 2009) and in Pakistan these services are mainly targeted to low-income people, but in order to improve their well-being, the services' prices should be affordable. This implies that sometimes the financially excluded individuals can be exploited.

Lastly, the unbanked suffer social detriment in form of embarrassment and damaged relationships. In developed countries everyone is expected to have a bank account and being unbanked may strengthen other aspects of social exclusion (FSA, 2000, p. 7). However, many unbanked consumers in Pakistan may not feel embarrassed because of widespread financial exclusion. Low-income consumers usually do not have banked people in their social network. Social detriment of unbanked consumers may arise when interacting with banked individuals for completing transactions through banks. While this disadvantage is suffered by low-income individuals, it may be more severe and widespread amongst the unbanked in a developed country than in Pakistan. Damaged relationships could be more severe consequence from being unbanked in collectivistic cultures such as Pakistan. It is expected that an individual will help other group members when they are in any need. Defying this social norm may result into bad reputation and damaged relationships in the group which a person may not afford (Ahuvia, 2002). These social norms make it difficult for a person to decline a loan to his/her close relative.

Different internal and external factors contribute to financial exclusion which render the unbanked vulnerable. However, these factors may vary country to country (Marshall, 2004). A vast majority of the participants outlined the benefits of having a bank account. They wanted to open a bank account but failed to do so either due to their poverty or different cultural and institutional barriers. This portrays that they want to escape from the vulnerability they experience due to financial exclusion. Conversely, a few participants who had no information about banks did not recognize any benefits of having a bank account. They may not feel vulnerable as they are not aware that bank account can improve their wellbeing. Thus, actual vulnerability may be related to consumers' awareness and knowledge about the opportunities.

Unbanked individuals lack control over their personal and environmental circumstances, resulting in personal, social or

financial suffering. Baker *et al.* (2005, p. 134) maintain that vulnerability occurs when barriers prohibit control and prevent freedom of choice, and that a lack of personal control is a key element of the experience of consumer vulnerability. Correspondingly, this study finds that the negative consequences of financial exclusion are related to the lack of control over the personal and environmental circumstances. Low-income consumers often face personal, cultural, institutional and structural barriers to banking (Leyshon and Thrift, 1995; Kempson and Whyley, 1998, 1999; Matin *et al.*, 2002; Kempson, 2006; Carbo *et al.*, 2007).

In short, financial exclusion impedes the well-being of low-income consumers in several ways which warrants effective policy measures to combat large scale financial exclusion. Financial services are the basic need of contemporary consumers and lack of their supply can cause consumer costs and vulnerability (Cartwright, 2011). In developing countries, such as Pakistan, financial exclusion is extremely common, and the low-income groups, in particular, are affected by the negative consequences. There are, however, possibilities for public policymakers and banks to decrease the impact of financial exclusion.

### Managerial and public policy implications

Regulators and major banks have responded to the issue of financial exclusion passively although it can be considered as their responsibility to facilitate financial inclusion of the unbanked so that consumers can avoid the hindrances caused by financial exclusion and their well-being is improved. Unlike in the developed world, developing nations have few consumer protection agencies that can force institutions to behave responsibly. This potentially results in the exploitation of low-income consumers in many consumption spheres including the financial services. We propose the following policy implications for the financial inclusion and well-being of the low-income unbanked consumers.

Banks are in a key position to serve different consumer groups, and therefore we propose that bank regulators formulate policies that facilitate low-income consumers' financial inclusion. At the time of data collection for this study in 2014, banks had a strict documentation requirement to open a bank account. Recently, however, banks in Pakistan have relaxed these requirements for the low-income consumers, so that a bank account could be opened by providing an identity card and filling in a form. Although this regulatory change helps financial inclusion of the low-income, there is still need for proactive policies for facilitating the financial inclusion of the less-privileged segments of the society. Banks could also consider opening more branches in rural areas or using other policies to provide accessible banking to rural population. Second, banks should launch educational programmes to create public awareness about the importance of having a bank account. Third, the charges of mobile money transfer in Pakistan are significantly higher than those charged by the banks. Considering the economic circumstances of the low-income target market of the mobile money transfer services, the firms should reconsider the money transfer fees. Further, mobile money services offer

various benefits, for instance, people can save money and pay their utility bills through their mobile money accounts. Savings through these accounts offer some profit on saved money, and their use could be an alternative to informal saving methods for the unbanked. While almost 90% of the poor and rural population have access to a mobile phone and SIM card in Pakistan mobile money registration and use are extremely low (Kironget, 2014). Consumer education is vital particularly in innovative services such as M-finance (Anong and Kunovskaya, 2013). This implies that the mobile money service providers should revise their marketing strategies and educate the target market about the benefits of using mobile money accounts over the informal ways of managing finances. Lastly, the lack of access to microfinance services leads to the exploitation of the poor by the informal money lenders. Therefore, to protect the low-income unbanked individuals both microfinance banks and NGO's providing microfinance should increase their level of operations. They also should educate the vulnerable people about the repercussions of acquiring loans from informal lenders.

### Limitations and future research guidelines

This research focuses on low-income unbanked consumers, but the fact that 85% of the Pakistani population remains unbanked implies that other social classes include unbanked individuals. Therefore, future studies could examine whether and how the experience of vulnerability as a result of financial exclusion varies amongst different social classes. Second, this study does not incorporate the bankers' perspective about the higher rates of financial exclusion in Pakistan and challenges they face to serve this large part of population. Future research could investigate bankers' perspectives on institutional barriers to banking at the levels of bank staff, bank policy and bank regulators to unfold the challenges and difficulties related to the financial inclusion of poor. Lastly, given that the majority of Pakistan's population is financially excluded, future research could address the coping strategies used by financially excluded individuals.

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## II

### **HOW THE UNBANKED COPE WITH FINANCIAL EXCLUSION: EVIDENCE FROM PAKISTAN**

by

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## **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.

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**Table 1 Participants demographical details**

<b>Alias</b>	<b>Sex</b>	<b>Age</b>	<b>Occupation</b>	<b>Education</b>	<b>Income</b>	<b>Residence</b>
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

### III

## **ROSCA'S ROLE IN FACILITATING CONTROL TO THE UNBANKED : EVIDENCE FROM PAKISTAN**

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Ethics Network (BON).



# ROSCAs Role in Facilitating Control to the Unbanked: Evidence from Pakistan

Sohail Kamran

## Abstract

This study investigated the role of Rotating savings and credit association "ROSCA" in allowing unbanked consumers to control and manage their routine financial matters and assessed the consequences of the Committee (i.e. ROSCA) system for unbanked consumers in the Pakistani context. Qualitative data were gathered from low-income unbanked consumers through semi-structured interviews. The study finds that the institutional culture and rules of Committees offer unbanked participants control over their everyday financial affairs and generally provide the unbanked an opportunity to address their vulnerability. However, Committees lack legally binding contracts and thus the possibility of fraud by Committee organizers cannot be completely discounted. Moreover, Committee institutions are unable to offer safekeeping services to their members, which raises concerns about the safety and privacy of money collected by a member from the Committee fund. Therefore, Committees cannot consistently ensure that the unbanked have the ability to manage their day-to-day financial affairs; thus, the unbanked individual could experience vulnerability. Finally, policy implications regarding the financial inclusion and wellbeing of unbanked consumers are discussed.

**Key Words:** Committees, ROSCAs, Consumer Vulnerability, Financial Exclusion, Unbanked, Pakistan

## Introduction

A majority of the inhabitants of developing countries lack access to basic bank accounts. For example, according to the World Bank's Global Findex database, only 13% of Pakistani adults have a formal bank account (Demirguc-Kunt et al., 2015). The unbanked often rely on informal sources of financing, such as social networks, because mainstream financial institutions fail to deliver sufficient financial services to all segments of society (Callier, 1990). Certain social networks have developed in the form of informal institutions voluntarily created to provide communal assistance and achieve certain objectives (Katz and Bender, 1976). One type of major informal financial institution that is ubiquitous in developing countries is the rotating savings and credit association (ROSCA) (Aliber, 2001; Bouman, 1995a; Callier, 1990). ROSCAs operate under different names in different countries and is commonly known as 'Committee' in Pakistan (Bouman, 1995a).

The unbanked often experience vulnerability (Kamran and Uusitalo, 2016a), which refers to the occurrence of harm to them (Ståsett, 2007). Those who experience vulnerability often rely on their social networks to manage marketplace vulnerability (Wang and Tian, 2014). Consumers are vulnerable when they are powerless, lack control and are dependant in a consumption situation that has adverse consequences for them (Baker et al., 2005). The unbanked consumers' experience of vulnerability is manifested by their psychological, social and economic detriment (e.g., Kamran and Uusitalo, 2016a). Those who experience vulnerability attempt to find ways to address their vulnerability (Baker et al., 2005). The low-income consumers are not sole recipients of bad things from their environments. Sometimes they portray excellent skills to deal with stressful situations and to bring control to their lives (Hill and Stephens 1997). It is evident that unbanked consumers find it problematic to save money and to access short-term credit smoothly (Kempson and Whyley, 1999). Participation in ROSCAs, through which vulnerable consumers can save money and access short-term credit

(Aliber, 2001), constitutes an informal response to the lack of access to financial services and represents a coping mechanism to overcome the issue of financial exclusion.

Extensive research has been conducted on ROSCAs from different perspectives and within the context of different countries. For example, studies have focused on the origin of ROSCAs (Bouman, 1995a); their mechanism for creating savings (Aliber, 2001); the possibility of risk sharing (Besley, 1995); their enforcement and role in the economy (Chiteji, 2002); their economic role and performance (Besley et al., 1993); payment arrears in ROSCAs (Ndjeunga and Winter-Nelson, 1997); and people's motivations for joining ROSCAs (Peterlechner, 2009). However, previous researchers have given inadequate attention to the role of informal institutions (i.e., ROSCAs) in helping the unbanked to manage marketplace vulnerability. This gap in the literature warrants the study of how the institutional characteristics of ROSCAs help to address vulnerability in the everyday lives of low-income groups who are at high risk of financial exclusion (Carbo et al., 2007; Kempson and Whyley, 1999). Therefore, this study investigates how Committees facilitate the control and management by unbanked consumers of their routine financial matters and examines the consequences of Committee systems for the unbanked individuals who participate in them.

Although financial exclusion is an important global issue, few marketing studies have examined this topic, especially from the perspective of unbanked consumers. Considering the views of the unbanked could facilitate the design of proactive strategies for both their financial inclusion and the fulfilment of their needs (Koku, 2015). This paper applies new institutional theory to explain how the institutional aspects of Committees facilitate the autonomy of unbanked consumers and reduce their powerlessness. Thus, this study contributes to both financial exclusion and consumer vulnerability literature and has implications for the financial inclusion and wellbeing of low-income unbanked consumers in Pakistan.

## New institutional theory

The meaning of the term institution has been defined to include established "law, custom, usage, practice, organization, or other element in the political or social life of a people; a regulative principle or convention subservient to the needs of an organized community or the general ends of civilization" (Oxford English Dictionary, dated from 1551, cited in Baba et al, 2013, p. 76). Scott (2001) defines institutions "as multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources" (p. 49).

ROSCAs are characterized by the collective action of community members whereby members follow institutional rules to pursue their collective goals of saving money and accessing short-term credit (Bouman, 1995a, 1995b).

Institutional theorists have posited heterogeneous organizations and endeavoured to identify the differences among organizational practices and structures (Child and Kieser, 1981). Contrarily, new institutional theorists offer a theory to establish reasons for the homogeneity of organizational practices and structures amongst organizations operating within the same field (DiMaggio and Powell, 1983). New institutional theories emerged in the 1970s and gained a great deal of attention, along with other lines of thought that emphasized the dependence of modern organizations on their environments (Meyer, 2008, p. 788). New institutional theory considers institutions from a sociological standpoint in order to assess how institutions work and influence society at large (DiMaggio and Powell, 1983; Scott, 2001). New institutionalism holds that (1) 'organizations are complex social actors whose behaviour is shaped as much by their cultural environments as by rational calculations and technical imperatives; (2) because compliance is culturally defined, organizations often react to their rule environments through symbolism as well as through substance; and (3) such symbolic displays can operate at the environmental level to foster institutional isomorphism and to channel the social construction of legitimacy' (Suchman and Edelman, 1996, p. 918).

Organizations adopt practices that are considered appropriate for their management in a given field by different parties within their respective environments, such as consumer groups, unions, organizations and the public (Greenwood and Miller, 2010). Hence, organizations seek legitimacy to operate effectively in their respective environments or social systems (DiMaggio and Powell, 1983; Suchman, 1995). Organizational legitimacy is derived from institutional forces, i.e., regulatory, normative and cognitive pillars (Suchman, 1995). Suchman (1995) defines legitimacy as a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574). Legitimacy is a socially constructed phenomenon and depends on the collective perceptions of a social group. It is not adversely affected by the reservations of particular observers about a single behaviour of organization. For instance, an organization could diverge from certain individuals' values but maintain legitimacy because the deviation draws no communal disapproval (Suchman, 1995, p. 574). The concept of legitimacy also explains similarities among the structures and practices of established organizations in a given field. This homogeneity is called institutional isomorphism, which is the process that renders one organization similar to other organizations that encounter similar environmental circumstances (DiMaggio and Powell, 1983).

To be socially acceptable, organizations must conform to

the established practices and norms in a given field (Washington and Patterson, 2011). DiMaggio and Powell (1983) explain the regulatory, social and cultural pressures that an organization faces in its environment. The forces of these three pillars are the main predictors of an organization's growth and its reactions to different situational demands. DiMaggio and Powell (1983) call these institutional forces coercive, mimetic and normative, whereas Scott (2001) defined the three pillars of the institutional system as regulative, normative and cognitive. Nevertheless, both authors' explanations of the organizational pillars are similar (Ahlstrom and Bruton, 2010).

Regulatory pillars emphasize the enforcement mechanism, i.e., rule setting, monitoring and sanctioning activities (Scott, 2008, p. 54). Examples of regulatory forces include organizational policies and rules, as well as contracts and their enforcement through mediation and negotiation (Henisz and Levitt, 2011). The normative pillar encompasses prescriptive, evaluative and obligatory dimensions of social life (Scott, 2008, p. 54). Therefore, normative forces refer to the collective expectations of correct behaviour, e.g., norms, values and social exchange processes (Henisz and Levitt, 2011). Normative forces create standards to which organizations and individuals are expected to conform (Scott, 2008). Finally, cultural-cognitive aspects emphasize the shared ideas that form social reality and the frames through which meaning is constructed (Scott, 2008, p. 57). Cognitive forces imply that an organization's survival depends on its societal acceptance in a specific cultural context (DiMaggio and Powell, 1983; Scott, 2008).

## Rotating savings and credit associations (ROSCAs)

Various informal institutes act as substitutes for formal institutes for the people of developing countries and help these people to solve various problems (World Bank, 2002). It is imperative to draw a distinction between formal and informal institutions. Formal institutions possess principles and procedures that are developed, communicated, and implemented through formal channels. Contrarily, informal institutions represent unwritten, socially shared rules that are developed, communicated, and implemented outside formally approved channels (Helmke and Levitsky, 2004). Informal institutions are managed within social networks and can take the form of self-help groups (Bouman, 1995a) that are voluntarily created to provide mutual assistance and to fulfil certain objectives (Katz and Bender, 1976). Economic self-help groups such as ROSCAs are small informal organizations created to enable members to derive economic benefits from mutual assistance, solidarity and joint responsibility. These benefits include mobilization of savings and credit facilities and the pursuit of group enterprise activities (Anand, 2002, p. 7). These groups assist individuals who are excluded and marginalized from mainstream financial services by giving them access to informal financial services (Callier, 1990).

In a ROSCA, a group of trusted individuals agree to contribute a fixed amount into a fund at regular intervals. The members regularly arrange meetings at which the sum of the collected money is given to one of the members; the recipient is determined through a draw or by negotiation. This process continues until all members receive the sum of the money that they individually deposited into the ROSCA fund (Aliber, 2001; Basu, 2011). ROSCAs give each member (except the last member) faster access to a sum of money because any member can obtain a loan from all other members and then repay the loan in instalments (Bouman, 1995b). Besley et al. (1993) distinguish between random and bidding ROSCAs. Random

ROSCAs provide each member an equal chance of winning the money at each meeting based on the luck of the draw. In bidding ROSCAs, members decide on the order of payments. Bidding ROSCAs are characterized by greater certainty, because all members know that they will receive money at a certain date. The members contribute a specific amount of money to the ROSCA at a constant rate over its lifetime. A higher bid entitles a member to an earlier receipt date.

Most ROSCAs are flexible; in the event of changing needs and circumstances, members may change the order of payments, provided that the affected parties agree to this change (Peterlechner, 2009). To be viable, ROSCAs must guarantee that all members will make the required contributions, even after taking the ROSCA money or loan (Besley et al., 1993). A ROSCA member could default either before or after receiving the money (van den Brink and Chavas, 1997), but defaults are rare in ROSCAs (Chiteji, 2002). Social collateral is used to identify prospective ROSCA candidates; to screen potential members for dishonesty; and to socially penalize deliberate defaulters, which is an appropriate threat to induce member compliance (Chiteji, 2002).

As informal institutes, ROSCAs offer a platform to mitigate the financial exclusion problem by helping unbanked consumers to save money and access credit (Aliber, 2001; Bouman, 1995a; Kamran and Uusitalo, 2016a). The marketplace vulnerability of unbanked consumers (Kamran and Uusitalo, 2016b) implies powerlessness and a lack of control, which leads to dependence on external factors (e.g., marketers) to create fairness in the marketplace (Baker et al, 2005 p. 134). Savings and short-term credit are areas where unbanked consumers encounter vulnerability (Kempson and Whyley, 1999; Wallace and Quilgars, 2005) in the form of potential theft (Kempson and Whyley, 1999), a loss of interest on their savings (Kempson et al., 2005), a lack of access to short-term credit and the resulting use of high-cost private or illegal moneylenders (Kempson and Whyley, 1999; Wallace and Quilgars, 2005), which in turn generates threats to borrowers' safety (Ellison et al., 2006) and economic stress (Herbert and Hopwood-Road, 2006). This paper seeks to understand how unbanked consumers use Committees to manage their routine financial affairs and how the institutional characteristics of Committees are related to the ability of unbanked consumers to control their lives and mitigate vulnerability. The empirical study was conducted among low-income unbanked consumers in Pakistan.

## Methodology

This study utilized qualitative interview method to collect data from unbanked individuals who participate in Committee schemes in Pakistan. The interviews aimed to obtain a detailed understanding about the role of Committees in helping the unbanked to cope with financial exclusion and vulnerability. This technique allowed to focus on the views and experiences of the unbanked regarding Committee participation.

Thirty unbanked participants were recruited from four (socially) lower-class neighbourhoods in the twin cities of Rawalpindi and Islamabad, Pakistan. Twenty interviews were conducted in 2014 and 10 were conducted in 2015. This research employed the purposeful sampling technique, which entails the recruitment of participants who can provide detailed information about the phenomenon under investigation. Four participants who had strong social ties within their respective neighbourhoods and who were knowledgeable about the essential characteristics of study participants helped to recruit partici-

pants from their respective neighbourhoods.

The informants included 11 women and 19 men who worked in various low-income professions. Eleven informants were local residents, and 19 were workers who migrated from different villages of Pakistan to work in Rawalpindi or Islamabad. Individuals earning USD3650 or less per annum (living on USD10 or less per day)—which is equal to 382,428 Pakistani Rupees (PKR), or €3269 (31,869 PKR) per month—fall into the low-income group (Kochhar, 2015). All participants belonged to the low-income group, with incomes of 7000-26,000 PKR (€60-220) per month, with the exception of one informant whose monthly income was slightly higher. The majority of the participants were either illiterate or had left school in their early years (See Table 1, p. 7).

The interviews were conducted in homes and other locations (such as shops and small restaurants) according to participants' preferences. The informants volunteered to participate in the study but were given a small amount of money as a financial incentive. The university's ethical guidelines were followed when interacting with participants. Because most participants were illiterate or less literate, the information sheets and consent forms were explained to each participant at the beginning of the interview to ensure that he or she understood the research objectives. Moreover, they were assured confidentiality and anonymity.

Because this study investigates how participation in Committees helps unbanked consumers to take control of their financial matters and address everyday vulnerability, Questions were asked about different aspects of the Committees, including their functioning, the benefits of participation, problems encountered while participating, default, and potential issues that may arise after receiving money from the Committee fund. The wording and sequence of questions were tailored according to participants' characteristics and to the situation. A nondirective questioning method was employed to encourage informants to speak in detail (Elliott and Jankel-Elliott, 2003). Twenty-eight interviews were conducted in Urdu and two were conducted in Punjabi. Interviews were conducted until the data collected reached the theoretical saturation point, which is the point at which no new information is being provided by the study participant (Flick, 1998). The shortest interview was 22 minutes, and the longest interview was slightly more than one hour. The interviews were tape-recorded with prior permission from all informants. Almost 17 hours of audio-recorded interviews were transcribed, which produced 564 handwritten A4-sized pages. The accuracy of the transcripts was re-checked by repeatedly listening to the audio records (Bird, 2005).

A thematic analysis was conducted to identify, analyse and report patterns (themes) within the data. After reading and becoming familiar with the data, initial codes were identified within the data set. A broader level analysis was conducted to observe the potential results of combining the codes to create different themes. The themes were reviewed and refined to ensure adequate support from the data. The themes were initially reviewed at the coded data extraction level and then reviewed at the entire data set level. The significance of each theme was explained and the elements of the data related to each theme were identified. The new institutional theory literature guided the identification of main themes and sub-themes. However, the data was also red inductively to extract the nuances and contextual issues that explain the themes. The themes were given names that explain their relevance to the research question (Braun and Clarke, 2006) and also show linkage to the main aspects of new institutional theory.



S#	Alias	Sex	Age	Occupation	Education	Income	Residence
1	Rana	M	42	Tailor/Clothing shop owner	Left school	35000-40000	Local
2	Billa	M	40	Taxi driver	Completed school	20000-25000	Local
3	Papu	M	26	Tailor	Left school	17000-18000	MW
4	Khan	M	44	Taxi driver	Illiterate	15000-16000	Local
5	Bano	FM	36	Housemaid	Illiterate	15000	MW
6	Raja	M	41	Vegetable seller	Left school	15000-17000	Local
7	Izza	FM	55	Housewife	Left school	20,000	Local
8	Rani	FM	25	Housemaid	Illiterate	8000	MW
9	Pola	M	29	Grocery shopkeeper	Undergraduate	15000-16000	MW
10	Nomi	M	21	Cashier in café	Completed school	11000	MW
11	Nori	FM	40	Cleaner at a school	Illiterate	7000-8000	MW
12	Laila	FM	40	Housemaid	Illiterate	15000-16000	MW
13	Jelo	FM	40	Pvt school teacher	Completed college	7000	Local
14	Shan	M	26	Salesman in a shop	High school	10000	MW
15	Niaz	M	26	Tailor	Illiterate	15000-18000	MW
16	Chand	M	40	Tailor	Left school	25000-26000	MW
17	Gama	M	35	Hawker/Sweets seller	Illiterate	10000	MW
18	Sami	M	22	Grocery shopkeeper	Left school	15000-20000	MW
19	Sana	FM	35	Pvt. school attendant	Illiterate	10000	MW
20	Rema	FM	23	Housemaid	Illiterate	7000-8000	MW
21	Teto	M	26	Grocery shopkeeper	Left school	18000-20000	Local
22	Gul	M	25	Salesman in a shop	Left school	8000	Local
23	Nelo	FM	25	Housemaid	Illiterate	10000	MW
24	Noor	M	32	Tailor	Illiterate	10000-12000	MW
25	Rifi	FM	50	Housemaid	Left school	10000	MW
26	Zain	M	30	Tailor	Left school	15000-20000	MW
27	Sher	M	64	Dry cleaner	Left school	10000-15000	Local
28	Kaka	M	26	Welder	Left school	13000	Local
29	Phol	M	46	Taxi driver	Left school	22000-23000	Local
30	Sema	FM	25	Tailoring from home	Illiterate	15000-16000	MW

Table 1. Informants' profiles

## Findings

This study finds that as informal institutions, Committees enjoy high levels of legitimacy amongst participating members. The strong culture and rules of Committees help the unbanked participants to control and manage their everyday financial affairs and mitigate their vulnerability. Nevertheless, Committees are small informal institutions and thus lack resources and legally binding contracts. Therefore, in some instances, Committees cannot guarantee the safety and privacy of money collected by members from the Committee fund. In the following section, three main themes and subthemes that emerged as a result of the data analysis are discussed. The Committees' institutional culture included the sub-themes of shared goals and mutual cooperation amongst the members. Committees' institutional rules encompassed the sub-themes of the organizers' responsibility to pay money to members; payment of Committee instalments by members; and Committee payment arrangements. Finally, the institutional inability of the Committee to give control to unbanked consumers comprised three sub-themes: risk of fraud by the organizer; fear of theft of Committee money; and a lack of privacy regarding Committee money.

### Committees' institutional culture

The Committee values of shared goals and mutual cooperation were collectively held and practiced by participating members, which manifests the Committees' institutional culture. Committee culture includes both cognitive (i.e., shared goals) and normative (i.e., mutual cooperation) institutional pillars, which helps the unbanked participants to take control of their financial affairs.

Committee members' pursuit of shared goals was exhibited in their joint assumption of responsibility to save money. Unbanked participants formed Committees because they believed that Committees offered the best option for saving money and helping them to avoid problems associated with other saving mechanisms. Thus, Committees were perceived as successful and socially acceptable informal institutions. The shared goal of saving money was pursued by members with a great degree of discipline, which gave the unbanked control over their money/saving matters. Unbanked participants had previously encountered problems when trying to saving money due to their lack of self-discipline, the temptation to spend money on unnecessary items, and the fear of robbery or social network awareness of money being saved at home. The concentration of low-income unbanked participants in Committees with the collective goal of saving money offered these individuals an opportunity to in-

roduce some degree of control over their saving and routine financial matters. The Committee value of shared goals helped the unbanked to avoid potential losses. The following interview quotes explain how the shared goals of Committees enabled participants to save money effectively and to avoid loan requests from their close relatives.

This way it is difficult...if you have money in your hand, then it will be spent...Money cannot be saved this way. When we give money to a Committee fund, it is our savings, and when we get that money in the aggregate, that sum of money gives us benefits (Jelo, 40).

When you decide you need to save money, then you can start a Committee. Otherwise, you cannot save. If you keep the money yourself, then when someone asks for money, you cannot refuse them...When you have money, it occurs to you to buy this or buy that. When the money is in someone else's possession [Committee organizer], then people cannot ask for the money (Sami, 22).

The pursuit of the common goal of saving money also allowed the low-income unbanked participants to fulfil difficult consumption goals. These individuals lacked access to affordable credit to make large purchases. Saving money through Committees involved solidarity and helped participants to avoid taking loans from informal lenders and social connections, which often results in psychological, social and financial hardship. Rema explains her views as follows:

I am participating in a two-year Committee for 24,000. I give 1000 Rupees each month... I will use this money for my sister's marriage...My sister's marriage is scheduled for the second month of the year...I will buy her a washing machine or some other item (Rema, 23).

Mutual cooperation is another key value of Committees that helps unbanked participants to take control of their routine financial affairs. Because the Committees were organized amongst neighbourhood residents, participants had strong social ties to one another, which often led to high levels of mutual cooperation due to members' trust in one another. In a collectivistic cultural context (i.e., Pakistan), individuals expect other group members to shelter them in difficult times. The value of mutual cooperation amongst Committee members accorded with their collectivistic cultural values and helped them to avoid potential harm caused by financial exclusion. Although Committee money was generally paid to participants in a predetermined order, if a particular participant experienced financial difficulty, both member-to-member and organizer-to-member assistance was given to this participant. This cooperation manifested in three different ways. First, one member could ask another member to exchange turns in the Committee order. Second, the organizing member of the Committee could use her/his powers of persuasion to encourage cooperation among the members. The following interview excerpt explains how both the Committee organizer and a member helped Bano to meet her financial needs:

It was my daughter's marriage. First, I told Baji [Committee organizer] that in the fifth month, I have to marry my daughter off. Baji said it would be all right...and she gave me the Committee funds in the fourth month. She said you need it, so let us give it to you...I had eit-

her the fifth or sixth turn in the Committee, but she gave me the fourth turn. She did me a favour (Bano, 36).

Third, a member who receives his/her Committee money might provide financial assistance to another member, and then the debtor returns that money to the lender when he/she receives his/her Committee money. The following interview passage explains this exchange:

It happens like this [in Committee]: I have a very close friend, relative or acquaintance. If I receive the second disbursement of Committee money, he says to me, "You have 120 thousand rupees from the Committee." I know that he needs the money urgently...he has to marry off his sister or daughter or there is some other problem in his house...If my heart says yes, then I may give him all or half of my Committee money...when he gets his Committee money, he will give me that half back. In this [Committee], we help one another (Chand, 40).

Cooperation among Committee participants was reciprocal. Those who assisted other members expected the same degree of support in the event they experienced financial difficulties. The social support mechanism of Committee programmes gave the informants autonomy and the ability to avoid possible difficulties in times of urgent financial need. This cooperation provided a sense of security to participants by helping them to avoid taking loans from informal sources. Thus, different types of cooperation among Committee members helped them to combat the vulnerability they might otherwise experience due to financial exclusion.

#### Committees' institutional rules

The regulatory pillars of Committees included different rules applicable to both the Committee organizers and participating members. These rules established the organizers' obligation to pay Committee money to members upon their respective turns; the members' obligation to make timely payments of Committee instalments; and the Committee payment protocol.

Committees' unwritten rules were strictly adhered to by both the organizers and the members. One such rule requires the organizer to pay the sum deposited by an individual member in the Committee fund on his/her respective turn, which provides security for the money paid by participating members. Members were also expected to abide by the rules. For example, they were obligated to deposit Committee instalments by the due date, although that obligation sometimes created problems due to members' frail economic circumstances. In addition, as a rule, Committee money was given to members in a specific sequence, which was decided through a draw; members who obtained the money late in the sequence occasionally experienced anxiety.

Committees' institutional rules also offered safety for the money provided by members. A majority of participants reported no apprehension regarding the safety of their money during Committee participation. They were virtually guaranteed to receive the sum of money that they had deposited in the Committee fund from the Committee organizer. Participants' stories reveal that the Committee organizers usually complied with the unwritten institutional rules and agreements. Compliance with the rules enhanced acceptance and trust of the Committee amongst its members. If a group member failed to pay the instalments or disappeared after joining, then the organizer had to contribute the amount due from his/her own pocket. The guarantee that members will receive money from the organizer enhanced the willingness of participants to save money

and eliminated potential problems associated with other informal saving mechanisms. The following interview quote explains this aspect of Committees:

They are our neighbours. They do not run away...Even if someone does run away, then the person who created the first Committee [the organizer] is responsible. It is his job to decide whether to accept someone into the Committee. We do not experience any tension (Khan, 44).

Committee members' compliance with the institutional rules also contributed to the safety of the money for all Committee members. Negative incidents of default were not reported by any of the participants; instead, participants generally felt secure that they would receive their deposited money from the organizer. Members were also guaranteed to receive their Committee money due to the enforcement mechanisms implemented by these informal organizations. A defaulter would not only damage his or her reputation and trustworthiness in the group but could also be barred from participating in future Committee programmes. Moreover, the organizer selects members carefully based on honesty, trustworthiness, past history in Committee programmes and their financial ability to participate in such programmes. Compliance with and enforcement of communal rules and the rules established by the Committee organizer eliminated the risk of default by a group member.

Nevertheless, participants occasionally experienced difficulty complying with the rules due to situations that were beyond their control. Several participants had trouble paying their instalments for a variety of reasons, including a temporary decrease in income or an emergency. Payment difficulties were linked to their status as unbanked (i.e., living in poverty). Organizers allowed members to remit missed instalment payments in later instalments, making Committee participation easier. However, such payment arrangements were offered only once or twice during a programme and only in cases of genuine need. As an informal institution, Committees ensured the enforcement of payment rules. A member who regularly made late deposits risked exclusion from future Committee programmes. Participants must comply with the rules and pay the instalments in a timely matter. Low-income participants reported negative psychological experiences in the form of stress caused by difficulties in making instalment payments in times of financial hardship. The following interview excerpt explains how members occasionally had to compromise on other important needs:

I know that I have to pay the Committee instalment; it is necessary. We can compromise on rent or [utility] bills, but Committee [instalments] should not be missed (Bano, 36).

A taxi driver whose earnings fluctuated throughout the year sometimes found it difficult to pay the Committee instalments:

Sometimes we earn 500, 1500, or even 200...we survive when there are good days. Then we save the Committee money... there is difficulty when Moharram or Ramadan comes. Work [income] starts to decrease (Billa, 40)

At times, Committee payment rules resulted into both economic and psychological harm. The payment rule is inherently based on luck because payment turns are determined through a draw. Those who obtained money in the early turns received it as an interest-free loan and paid the instalments to the programme to pay off their debt. They had an advantage over those

who received money in the later turns. Those who received the money early in the programme could use this money for urgent needs, invest it in their businesses or spend it to fulfil other economic needs. Those who received money late in the programme had to wait a long period of time. Because payment arrangements were determined on the basis of draws, there was a lack of control by participants. Those who received Committee money in the later turns could experience an imbalance or inequity in the exchange process, which could lead them to experience both psychological (i.e., stress) and economic detriment because the money could lose value due to inflation. Several informants described the receipt of Committee money in the early turns as agreeable and the receipt of Committee money in the later turns as disappointing. Raja has participated in Committee programmes for the last 18 years:

If we obtain Committee money in the early turns, then we are happy, but if we receive it in the last turn, we are disappointed (Raja, 41).

#### Committees' institutional inadequacy

Committees have inadequate rules and policies to safeguard their unbanked members while addressing the financial exclusion issue. Committees' unwritten rules cannot be enforced legally; therefore, in the event of fraud by the Committee organizer, the members suffer. Moreover, Committees have no policy to provide safekeeping services to their members.

Committees are small, informal institutions, and their unwritten rules and agreements are not legally binding. Therefore, the possibility of fraud by Committee organizers cannot be eliminated. Several informants who participated in Committee programmes feared that the organizer would disappear. An incident of fraud was reported by only one informant; in that case, the organizer fled after collecting the Committee money. To eliminate the risk of fraud, the informants preferred to participate in programmes organized by local residents. The following excerpt explains the psychological and financial risks of Committee programmes:

There is fear in the Committee that the man [organizer] may flee. But if the organizer is a local, there is no fear; if he is local, then we know he lives here. His house and shop are here...there is no fear. But if he [the organizer] is not local, then there is concern that he may run away. Then, who will pursue him? (Noor, 32).

Participants' accounts indicate that Committees do not ensure the privacy and safety of the money collected. In certain cases, Committees fail to safeguard their members' savings. Accordingly, several informants feared robbery when they brought their full Committee savings home. One informant who managed Committee matters expressed psychological concern about the safety of money collected from members and the possibility of financial harm if the money was stolen. It is also difficult to maintain members' privacy regarding the receipt of Committee money in a collectivistic culture where people generally know each other's activities. Thus, social network members outside the group may know that a person has received Committee money. There was a fear that a close relative or friend might ask for a loan and that problems would arise if that person was not trustworthy or was unable to repay the loan. Refusing a loan request from a social network member could lead to negative consequences, because it is customary to help others. However, if there is a lack of trust in a social network member and a fear

that the money will not be repaid in full or on time, a loan request might be refused, which increases the possibility of the member's social harm, i.e., damaged relations with social network members. Chand explained his concerns as follows:

You say, "I have the Committee money." Your wife tells the neighbours, who watch your Committee money. The way they [neighbours] kept an eye on my Committee money and asked for money [loan]...If you keep the Committee money at home, then there is fear of theft...It is not necessary that a dacoit [robber] comes to your home. It can be stolen from your home too. This is the fear (Chand, 40).

To conclude, Committee institutional culture and rules offered the unbanked informants some degree of control over their routine financial matters and provided them an opportunity to address their vulnerability. However, as informal institutions, Committees lack legally binding contracts and are unable to guarantee the safety and privacy of Committee money. Therefore, Committees cannot always ensure that the unbanked have control over their day-to-day financial affairs.

## Discussion

This paper addresses the neglected subject of the potential of informal economic institutions (i.e., Committees) to give unbanked consumers the ability to manage their everyday financial matters. This research applies new institutional theory to explain how different pillars of informal institutions (i.e., Committees) enable unbanked consumers to address their marketplace vulnerability. The present research contributes to both financial exclusion and consumer vulnerability domains by elucidating the usefulness of ROSCAs in facilitating unbanked consumers to deal with their marketplace vulnerability. It shows that Committees as a community resource as well as an informal institution help the unbanked individuals to introduce control in managing their regular financial affairs. The application of new institutional theory helped to gain a deep understanding regarding the potential role of ROSCAs in facilitating control to the financially excluded consumers in Pakistan. In particular, cognitive, normative and regulative institutional pillars of Committees permit control to the unbanked consumers that is important in mitigating their marketplace vulnerability. In spite of the institutional pillars, Committees are in some cases unable to help unbanked consumers to manage their marketplace vulnerability due to insufficient rules and policies. This study also shows that the institutional aspects of informal organizations support low-income consumers in coping with financial exclusion.

Community members have long organized themselves to meet collective and individual needs (Narayan, 1995, p. 1). ROSCAs, which operate based on the logic of 'collective action', provide a platform for people in low-income countries to manage the risks (Bouman, 1995b) associated with financial exclusion. This research finds that Committees are based on three institutional pillars: cognitive, normative and regulatory (Scott, 2001, 2008). These pillars are deeply embedded in Committees and allow Committees to provide a workable substitute to the unbanked and thereby introduce some degree of control over their own financial lives. The collective positive perception of Committees amongst low-income unbanked consumers and members' compliance with institutional values and rules indicate that the Committees are considered a valuable means by which community members can access informal finances.

First, the cognitive pillar (Scott, 2001, 2008) is manifested by shared goals. As informal organizations, Committees depend on the shared meanings and social acceptance (DiMaggio and Powell, 1983; Scott, 2008) that they have enjoyed in the collectivist culture of Pakistan. Due to the cognitive pillar, Committees are a vital part of the lives of many low-income people because they provide a viable way to escape vulnerability. The constellation of low-income unbanked consumers in Committees with shared objective of saving and accessing short-term credit provided them an avenue to tackle their marketplace vulnerability caused by financial exclusion. Second, the normative pillar (Scott, 2001, 2008) is seen in Committees in the form of mutual cooperation amongst the members. This pillar is based on societal values and norms. The success of Committees derives from the obligation of members to act according to collectivistic cultural standards. The reciprocal cooperation expected from members leads to positive outcomes, such as meeting members' financial needs and avoiding negative experiences. Thus, mutual cooperation enables Committee participating members to access short-term credit to fulfil their urgent economic needs. This institutional aspect (i.e. normative pillar) permit unbanked consumers to escape encountering marketplace vulnerability which they could potentially experience in the event of loan acquisition from other informal sources (Kamran and Uusitalo, 2016a; 2016b). Third, the regulatory aspect (Scott, 2001, 2008) of Committees encompasses rules and assurances and aims to ensure the safety of money deposited by members. Both members' compliance with Committee rules and the organizer's assurance that all members will be repaid the sum of their deposits in the Committee fund eliminate the vulnerability that the unbanked might experience with other informal saving methods (Kamran and Uusitalo, 2016b). However, adherence to Committee rules can be difficult when members attempt to satisfy their obligations to the social networks. This difficulty was evident in the discussions about making timely instalment payments at the cost of neglecting other important needs. This trade-off led to feelings of vulnerability, psychological and social detriment, and the risk of exclusion from future Committee programmes.

ROSCAs provide each member (except the last one) quicker access to a sum of money relative to their personal savings (Bouman, 1995b). Committee members obtain different value for their equivalent deposits. A person receiving Committee money in the later turns technically obtains an amount equal to all other members, but their money has lost purchasing power due to inflation. Thus, these Committee payment arrangements caused psychological (i.e., stress) and economic detriment to participants. However, these rare individual negative experiences did not affect the Committees' institutional legitimacy, because this legitimacy depends on the collective perception of community members (Suchman, 1995). The legitimacy of Committees stems from three institutional aspects, i.e., cognitive, normative and regulatory (Suchman, 1995). There is widespread social acceptance and positive perceptions about the usefulness of Committees, signalling a high level of legitimacy for these informal financial institutions. Committees are considered legitimate organizations because their presence fulfils the basic financial needs of the unbanked in Pakistan and generally enables the unbanked to successfully overcome their marketplace vulnerability, especially in terms of saving and short-term credit. Although Committees enjoy a high level of legitimacy, their regulatory pillar (i.e., rules and policies) is relatively weak compared to their other institutional dimensions. This weakness could be viewed as a threat to the legitimacy of Committees; due to in-

adequate rules and policies, Committees fail to offer a perfect substitute for basic financial services to the unbanked.

Committees do not fully mitigate the vulnerability of low-income consumers. As informal institutions, Committees lack the resources to consistently support the unbanked and to give them control (Baker et al., 2005) over their routine financial matters. This lack of control stems, for example, from unwritten contracts that are not legally binding; therefore, the possibility of fraud cannot be completely eliminated. Further, Committees do not provide safekeeping services to their members and thus fail to guarantee the safety and privacy of Committee money. In addition, the lack of privacy regarding payment of Committee money risks both psychological and social harm.

### Policy implications

Aliber (2001) states that ROSCAs correspond to formal deposit-taking institutions and provide an alternative to formal lending institutions. Contrarily, Helmke and Levitsky (2004) assert that informal institutions might be the second-best option but cannot provide solutions equal to those of formal institutions. This study indicates that Committees' institutional culture and rules can allow consumers to mitigate their financial, psychological and social concerns. However, these informal savings and short-term credit arrangements cannot completely replace formal financial service providers. Committee participants may experience psychological, social or economic consequences. Therefore, following policy guidelines are proposed for the wellbeing of unbanked consumers in Pakistan.

The regulatory aspect of Committees presents the risk of psychological and economic harm to unbanked consumers. Nonetheless, Committee members demonstrate discipline in making instalments payments to their respective Committee programmes as a result of a strong cognitive pillar, i.e., shared goals. Social collateral determines the success of ROSCAs (Chiteji, 2002). Committee members generally meet the group's expectations of timely payments, indicating that there is a good opportunity for banks in Pakistan to offer group lending to low-income consumers (i.e., the Grameen bank model), which has been successfully implemented in various developing countries to cater to the micro-credit needs of the poor (Koku, 2015). Currently, group lending is offered by very few micro-finance institutions in Pakistan (e.g. Khushali Bank, the National Rural Support Programme). The poor generally lack collateral to obtain individual loans from the formal sector (Koku and Jagpal, 2015). A strong normative aspect in the form of mutual cooperation is manifested in Committees, which implies that members would be willing to provide cross-guarantees of one another's debts in a group lending model. Group lending helps banks and other micro-financing institutions to capture new customers. Importantly, micro-loans from operators in the formal sector could mitigate the vulnerability of the unbanked

that they might otherwise experience due to problems with the regulatory aspect of Committees. In the formal lending model, loans are readily available to all members, whereas in a Committee, members must wait their turn. Likewise, short-term credit is not always available through Committees due to their regulatory aspect. Micro-finance coverage of poor families in Pakistan is only 2%, which is the lowest percentage in Asia (Nenova et al., 2009). A vast majority of commercial banks in Pakistan do not offer micro-finance. Regulators could require that all commercial banks offer micro-finance products in Pakistan to improve both the financial access and wellbeing of the poor. Finally, unbanked consumers risk encountering vulnerability in their saving endeavours due either to Committee rules (i.e., timely payment of committee instalments) or to the inability of Committees to ensure the safety and privacy of Committee money. Banks should design and target savings accounts to low-income consumers and effectively promote such accounts through viable communication channels. Savings accounts could help the unbanked to save at their own pace, eliminate their fear of robbery and enhance the privacy of their savings.

### Study Limitations and Future research guidelines

Some limitations are realized in this research work which open up avenue for a few potential studies. First, ROSCAs place numerous social and economic liabilities on their organizers. This study did not address the organizers' concerns while managing ROSCA programs. They could experience vulnerability due to their responsibilities. Likewise, money privacy and safety concerns could be more severe for the organizers compared to the individual members. So, future studies could address ROSCA organizers' potential experience of vulnerability in managing ROSCAs and the mechanisms devised by organizers to combat such experiences of vulnerability. Second, this study focused exclusively on low-income unbanked consumers. However, 87% of the Pakistani population is unbanked (Demirguc-Kunt et al., 2015), which suggests that people from other income strata, such as middle- and high-income groups, are also unbanked. It is apparent that a vast majority of Pakistanis belonging to different income groups participate in Committees. Therefore, the motivations of middle- and high-income unbanked individuals to join Committees could be investigated. Moreover, the consequences of Committee participation should be explored, both for the middle- and high-income unbanked and for the economy in general. Finally, this study only addressed ROSCAs operation in a collectivistic cultural milieu where it found strong cultural influences on the functioning of ROSCAs. There is evidence that these informal institutions also function in certain individualistic societies, such as South Africa (Bouman, 1995a). Future research could investigate people's motivation to join ROSCAs and the functioning of ROSCA's in an individualistic cultural context.

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## IV

### **BANKS' UNFAIRNESS AND THE VULNERABILITY OF LOW-INCOME UNBANKED CONSUMERS**

by

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## **Banks' Unfairness and the Vulnerability of Low-income Unbanked Consumers**

银行的不公平与低收入无银行账户消费者的脆弱性

### **Abstract**

This paper's objective was to explore low-income unbanked consumers' perceptions of bank fairness and the way these perceptions were linked to consumer experiences of vulnerability. Qualitative data were used to analyse low-income consumers' perceptions about banks' services and communications. The study finds that although consumers' financial inclusion is partially hindered by their personal circumstances, the perceived unfair treatment by banks has an even more negative impact on their financial inclusion. Low-income unbanked individuals report banks avoiding them, discriminating against them and impeding their financial inclusion. Banks' perceived unfairness towards low-income consumers leads those consumers to experience vulnerability in numerous ways. Finally, we provide public policy implications for low-income consumers' well-being and financial inclusion and to assist them in mitigating their vulnerability.

### **摘要**

本文的目标是探讨低收入无银行账户的消费者认为银行公平的看法，以及这些看法与消费者脆弱性体验相关联的方式。定性数据被用来分析低收入消费者对银行服务和沟通的看法。研究发现，尽管消费者的金融包容性在一定程度上受到其个人处境的部分阻碍，但银行的不公平待遇对其金融包容性的负面影响更大。低收入无银行账户的个人反映银行避开他们，歧视他们，

妨碍其普惠金融。银行对低收入消费者的不公平导致这些消费者在许多方面感受到了脆弱性。最后，我们提供了对低收入消费者的福利和金融包容的公众政策启示并帮助他们减轻其脆弱性。

Key words: Vulnerability, fairness, unbanked, exclusion, developing country

关键词：脆弱性，公平性，无银行账户，排除，发展中国家

## 1. Introduction

Approximately five billion people in the world live in different levels of poverty (Fisk et al., 2016), and they often lack access to essential services (Anderson et al., 2013). For example, low-income consumers lack access to conventional financial services (e.g., Koku, 2009) and utilize alternative offerings to manage their routine financial matters (Laureti, 2017). In the context of developing countries, the vast majority of the population remains unbanked (Demirguc-Kunt, Klapper, Singer, & vanOudheusden, 2015), and most of those unbanked people live on a low-income (see Kochhar, 2015). Banks avoid serving low-income groups because they are considered unprofitable (Chéron, Boidin, & Daghfous, 1999). The deficiencies in service systems often adversely affect the well-being of low-income consumers (Fisk et al., 2016). For example, financial service providers can adversely affect poor consumers' well-being through poor service design, processes and the lack of access to a service (Anderson et al., 2013). The exclusion of the poor from mainstream financial services is unfair and socially unacceptable (Chéron et al., 1999), and it leads them to experience vulnerability (Cartwright, 2011). Ensuring fair dealings for low-income unbanked consumers requires a deep understanding of their position as customers. Banks' policies and

procedures discourage financial inclusion of the poor (Koku, 2009; Solo, 2009). Vulnerable, financially excluded consumers are dependent on marketers to create fairness for them in the marketplace (Baker, Gentry & Rittenburg, 2005). However, few studies have considered the unbanked consumers' perspective, there is a dearth of research on financial exclusion in the field of marketing (Koku, 2015) and customers' perception of banks' fairness towards them (Worthington & Devlin, 2013).

Service firms (e.g. banks) have been blamed for damaging human well-being in various ways such as, by poorly treating and ignoring customers who need a particular service (Fisk, 2009). Transformative Service Research (TSR) movement addresses this issue and aims to advance fair services for the welfare of human beings (Anderson et al., 2013). TSR places specific emphasis to investigating problems of developing countries low-income consumers who are marginalized and excluded from various service domains (Gebauer & Reynoso, 2013; Fisk et al., 2016; Reynoso, Valdés, & Cabrera, 2015). Service research conducted among affluent customer groups is not pertinent to poor consumers (Reynoso et al., 2015; Gebauer & Reynoso, 2013). TSR highlights the importance of research in the realm of financial services for the well-being of poor (Anderson et al., 2013). Over two billion world's poor population is unbanked (Chopra, Prabhala & Tantri, 2017) and their financial exclusion imposes considerable costs on them (Solo, 2008). Hitherto, a little research is conducted on low-income consumers of financial services within TSR stream but service scholars' unique understanding about service processes can lead to research contributions and endeavours to uplift their well-being (Anderson et al., 2013). Sanchez-Barrios, Giraldo, Khalik, & Manjarres (2015) explored effects of loan sharks on the well-being of poor consumers, and found that loan sharks offer unbiased, hassle-free, without using technical jargons and reputation based lending to poor consumers. The study concluded that these positively

influence poor consumers' well-being. The study suggests that formal service providers can serve the poor in better ways by implementing positive practices of informal lenders. Martin & Hill (2015) utilized a worldwide sample to investigate the ways in which social poverty, personal saving capability and satisfaction with individual's household financial circumstances effect the welfare of poor consumers. They found that an increase in societal poverty considerably decrease well-being. However, in impoverished nations savings significantly enhance well-being. Thus, research that promotes an impartial delivery of basic banking services to low-income unbanked consumers can uplift their well-being.

Banks unfairness towards low-income consumers hamper fulfillment of their consumption goals (Kempson & Whyley,1999) and in such situations they are prone to encounter vulnerability (Baker et al., 2005). However, to the best of our knowledge, prior researchers have not explicitly addressed the role of service providers unfairness in making their customers experience vulnerability. The present research explores how low-income unbanked consumers perceive the fairness of bank policies and service processes and how these perceptions are connected to their experience of vulnerability. This research contributes to TSR by providing understanding of seldom addressed concerns of low-income unbanked consumers regarding the consequences of their negative marketplace encounters (Anderson et al., 2013). The study offers viable implications for their financial inclusion and fair treatment which could help to mitigate their marketplace vulnerability and enhance their well-being. Besides TSR literature, this study contributes to consumer vulnerability research in three ways. First, it links service providers' justice elements to consumers' experience of vulnerability. In particular, it elucidates how service providers' unfairness prevent consumers' consumption goals thus causing them vulnerability. Second, it highlights the role of uncontrollable external factors in low-income consumers' marketplace exclusion and

vulnerability. Third, it uncovers low-income consumers perceptions regarding service provider fairness and the way those perceptions contribute to their experience of vulnerability.

## **2. Theoretical background**

### ***2.1. Justice Theory***

Apart from other business fields, justice theory has been vastly utilized in studying service firms' fairness towards their customers (Seiders & Berry, 1998). Service firms' injustice towards customers can cause customers stress in their ordinary lives (Wang & Tian, 2014) and can trigger perceptions of unfairness among customers (Seiders & Berry, 1998). For instance, service firms typically exclude less-profitable customers and thus hinder their well-being (Speak, 2000). This practice is apparent in the financial services sector where the poor face negative attitudes from financial services providers (e.g., Kempson & Whyley, 1999), which often results the financial exclusion of those consumers. For example, banks' discrimination against less affluent consumers prevents their financial inclusion (e.g. Wang & Tian, 2014). Three justice components, distributive, procedural and interactional, are generally used to evaluate the service fairness of a firm (Seiders & Berry, 1998).

Distributive justice refers to the fair allocation of benefits and costs (Laczniak, 1999) and is considered a social performance measure in marketing and other social settings (Klein, 2008). 'Distributive justice is concerned with the distribution of conditions and goods which affect individual well-being (Deutsch, 1975, p. 137). Three distribution principles, equity, equality, and need, are commonly acknowledged (Deutsch, 1975; Seiders & Berry, 1998). Relations

between parties establish particular distribution patterns. Equity is generally a dominating rule for achieving better economic productivity (Deutsch, 1975). This implies that more resources should be allocated to profitable and loyal customers due to their greater input into the business. Equality will be a chief principle for preserving enjoyable social relations. Thus, resources are distributed equally to all customers regardless of their business worth. Customers usually expect and prefer equality during their economic exchanges. Finally, need is the foremost principle when the goal is personal welfare. If a business pursues this principle, then resource allocations will be proportional to the needs of particular customers (Deutsch, 1975; Seiders & Berry, 1998).

Procedural justice addresses customers' perception of fairness in any of a firm's procedures (Tax, Brown, Chandrashekar, 1988; Chung-Herrera, 2007). Procedural justice refers to the level of equity, impartiality, and freedom from bias inherent in the specific manners of achieving social exchange outcomes. Procedural justice concerns the ways in which an outcome is achieved (Nance & White, 2009). Numerous procedural justice violations are possible, and customers in similar situations may be treated differently by the firm. For instance, two comparable customers experience different procedures during their complaint resolutions; one talks to the manager about the issue, whereas another fills out a lengthy complaint form (Chung-Herrera, 2007). Previous studies have identified six procedural fairness principles: (i) consistent processes across people and time, (ii) unbiased processes, (iii) accuracy of information, (iv) correctability of errors and flawed decisions, (v) obeying of ethical standards, and (vi) ensuring that the viewpoints of different groups affected by a decision are considered (Leventhal, Karuza, & Fry, 1980; Colquitt, Conlon, Wesson, Porter, & Ng, 2001).

Interactional justice refers to characteristics of interpersonal behaviour rather than formal principles (Seiders & Berry, 1998). It addresses the type of treatment customers receive from service firm employees (Blodgett, Hill & Tax, 1997; Tax et al., 1998). Interactional justice is further divided into informational and interpersonal justice. Informational justice is the appropriateness of information or explanations that are provided in timely, precise and truthful manner, whereas interpersonal justice refers to the ways in which individuals are treated by the organization or its staff. Customers' assessment of interactional justice is dependent on the way they are treated by the service firm (Tax et al., 1998). Some attributes of interactional justice include honesty, respect (Seiders & Berry, 1998), neutrality (Namkung & Jang, 2009) trust, communication (Blodgett et al., 1997), politeness, expressing concern, professional decorum, courtesy and candour (Seiders & Berry, 1998).

While the financial exclusion of underprivileged consumers has not been approached from the fairness perspective by previous researchers, extant literature signals that low-income consumers may be treated unfairly by banks. They could experience distributive injustice, e.g., geographical barriers to banking (Kempson & Whyley, 1999); procedural injustice, e.g., banks establish procedures that are difficult for them to fulfil (e.g., Solo, 2008); and interactional injustice, e.g., negative attitudes from bank staff towards the poor (Chéronet al., 1999). Their financial inclusion is denied or hindered due to the injustice of banks, and those experiences may adversely affect their personal and social perceptions of self (Baker et al., 2005). However, it is somewhat unclear how experiences of unfairness lead low-income consumers to experience vulnerability.

## ***2.2. Consumer vulnerability and bank services***



Types of consumers, such as the poor and illiterate, are considered vulnerable and warrant extra support in the marketplace (Brennan, 2006). Definitions of ‘vulnerable consumers’ generally include either a targeted product, an economic transaction that has occurred, or a consumption context that has been experienced by consumers (see Smith & Cooper-Martin, 1997; Ringold, 1995; Morgan, Schuler, & Stoltman, 1995), and due to personal vulnerable circumstances, individuals fail to maximize their utility and well-being in these types of economic transactions (Smith & Cooper-Martin, 1997). There are instances in which service providers avoid exchanges with some customers (Mayser & von Wangenheim, 2013). Consumer vulnerability refers to a situation in which consumers encounter powerlessness and a lack of control due to service provider bias against serving them. Vulnerable consumers depend on external parties to introduce fairness into the marketplace. The actual vulnerability occurs as a result of the interaction of personal and external circumstances in situations where consumption objectives are hampered and the experiences adversely affect both the individual and the social perception of self (Baker et al., 2005).

While consumers could encounter vulnerability in marketplace transactions owing to their personal circumstances (Gentry, Kennedy, Paul & Hill, 1995), e.g., poverty and illiteracy (Brennan, 2006), these individual characteristics are not the sole basis on which to delineate consumer vulnerability (Baker et al., 2005). Another form of vulnerability is caused by the environment in which people live (Wang & Tian, 2014; Baker et al., 2005). People are at a risk of experiencing powerlessness due to uncontrollable external factors, e.g., natural disaster (e.g., Baker, Hunt, & Rittenburg, 2007) and marketplace discrimination. Consumers experience powerlessness when their environment creates barriers to their participating in society (Wang & Tian, 2014; Baker et al., 2005). Different uncontrollable external factors could trigger an experience of vulnerability, including allocation of resources; physical and

logistical aspects; stigmatization and repression; and other conditions, such as social, economic and political upheaval. These factors add to the imbalance of power in exchange relationships that disfavour consumers (Baker et al., 2005, p.130). Consumers could encounter powerlessness when they have a lack of choice and control because of disproportionately greater power between the seller and the customers (Rayburn, 2015). In the case of financial services, consumers typically experience vulnerability in understanding information about financial products because it is often presented in a technical and complex manner (Cartwright, 2011). Nevertheless, low-income consumers, who generally possess low literacy skills (Cartwright, 2011; Laureti, 2017), are more prone to encounter powerlessness in understanding financial product information (Cartwright, 2011). Thus, both internal and external factors can activate consumer experiences of marketplace powerlessness (Baker et al., 2005).

Anyone can undergo a state of powerlessness in the marketplace, but it is usually a temporary affair (Baker et al., 2005). Consumers' powerlessness often causes them harm, such as physical, financial or psychological losses (Smith & Cooper-Martin, 1997). Mainstream consumers possess adequate resources that help them to effectively address their marketplace powerlessness and allow them to obtain control of their lives. However, the marketplace powerlessness experienced by low-income consumers is generally prolonged due to their feeble economic circumstances and marketplace conditions that are unreceptive towards them (Baker et al., 2005; Saatcioglu & Corus, 2016). The poor can be excluded, marginalized and discriminated against by service providers owing to their limited resources and capacities (Fisk et al., 2016). Their lack of material resources is a commonly considered a cause of their exclusion from different consumption spheres (Saatcioglu & Corus, 2016).

A lack of personal control is a basic aspect of the consumer experience of vulnerability. Economically susceptible consumers typically lack control in different consumption spheres, which causes them marketplace vulnerability (Hill & Stephens, 1997; Baker et al., 2005). Previous studies have described various events during which low-income consumers experience vulnerability in the context of financial services. These experiences usually reflect powerlessness due to a lack of control over consumers' personal circumstances such as poverty (e.g., Solo, 2008; Kempson & Whyley, 1999). Moreover, these consumers lack control over external conditions, such as banks' negative behaviour towards the poor (e.g., Chéronet al., 1999). The practices of conventional lenders are beyond the control of many consumers and prevent them from accessing credit from formal sources (Canhoto & Dibb, 2016). The discriminatory policies of banks oblige financially excluded consumers to obtain control of their financial lives through informal sources, which often results in marketplace vulnerability (Wang & Tian, 2014).

Experiences of vulnerability are closely related to the perception of one's ability to address a consumption situation, and it may shape both present and future perceptions of self (Baker et al., 2005). Vulnerable consumers desire to be treated with equality and respect by the seller (Baker, 2006). They form opinions regarding the way they are treated by others. Positive judgements enhance self-perceptions, and negative opinions diminish the self (Baker et al., 2005). It is the responsibility of service firms to treat vulnerable customers with respect and provide them fair treatment (Rendtorff, 2009) because they need to be protected in the marketplace; sometimes, they are exploited by marketers (Kennedy & Laczniak, 2016).

In summary, banks' policies, procedures and unwelcoming staff behaviour can prevent low-income consumers' from accessing basic banking services. Rather than consumers' internal

factors, it is the banks' justice elements, as uncontrollable external factors, that discourage financial inclusion. Low-income consumers' perceptions regarding the banks' justice elements may be connected to their experience of vulnerability.

### ***2.3.TSR and the unbanked consumers***

Different service entities such as service employees, processes, offerings, organizations and service sectors have the potential and power to positively or adversely affect consumers' well-being (Anderson et al., 2013; Fisk et al., 2016). Both consumer vulnerability and justice related studies have a public policy element, as imbalance created by unfair marketing practices can be corrected through regulations or policy interventions (Gundlach & Murphy, 1993). TSR emphasizes the mechanisms by which service firms can facilitate well-being through positive changes and improvements (Pera & Viglia, 2015; Corus & Saatcioglu, 2015). Reinforcing TSR suggests that service providers ought to be held responsible for their influence on different groups within a society, such as the poor, who are worthy of being served appropriately by those service firms (Fisk et al., 2016). Supply side interventions could help people lacking access to basic bank accounts to join the formal financial system (Chopra et al., 2017). TSR focuses on mitigating consumer vulnerability and increasing consumer agency (Corus & Saatcioglu, 2015). Because the vulnerability of financially excluded consumers primarily stems from banks' hostile attitudes towards them, consumer advocacy and better policy making can reduce this vulnerability (Wang & Tian, 2014).

Studies related to the transformative sphere in financial services can uplift marketplace fairness for vulnerable consumers (Anderson et al., 2013), which could assist them to escape vulnerability (Wang & Tian, 2014). This research follows the TSR course, which seeks to

understand the issues faced by low-income unbanked consumers. It attempts to foster change for the fair treatment of low-income consumers and to discover better ways to serve them to enhance their well-being (Fisk et al., 2016). TSR connects to transformative consumer research (Mick, 2006) and service research to benefit consumers' well-being. It advocates quality of life issues that are vital for the well-being of consumers. TSR agenda highlights significance of research related to financial services' impact on poor individuals because access to basic financial services is considered an important ingredient for the well-being of modern-day people (Anderson et al., 2013). Therefore, the present study seeks a deeper understanding of how different aspects of banks' justice contribute to low-income consumers' experiences of vulnerability in a developing country context.

### **3. Methodology**

#### ***3.1. Sample and data collection***

The empirical study was conducted in Pakistan, where 79.5% of the population were living on a low-income in 2011, their income being less than or equal to USD10 per day/USD3650 per year (Kochhar, 2015). Further, 87% of Pakistani adults were unbanked (Demirguc-Kunt et al., 2015). We attempted to gain a deep understanding of the experiences and views of low-income unbanked consumers regarding banks' services and processes. Semi-structured interviews were employed in the data collection. We completed 37 interviews in four low-income areas of Rawalpindi and Islamabad; 28 interviews were completed in 2014 and 9 in 2015. These four areas were selected because they were accessible to the researcher. The participants were selected through a purposeful sampling technique based on their own experience of being financially excluded, which implied that they were unbanked. Social ties

were helpful in recruiting interviewees from low-income neighbourhoods because people tend to be reluctant to freely talk to an interviewer whom they do not know. Therefore, initially one low-income unbanked consumer with strong social connections in their respective communities were recruited from each of the four neighbourhoods. They were asked to facilitate the recruitment of more participants who could talk about their experiences of being unbanked in detail. This strategy proved to be helpful in gathering data. The informant group comprised 13 females and 24 males who volunteered to participate in the study and had been working at various low-income earning professions. The monthly income of the informants ranged from Pak Rupees 7000-26000/USD67-249; therefore, they are categorized as low-income (see Kochhar, 2015). Migrant workers (MW) who relocated from villages to the city for work purposes accounted for 25 participants, and 12 informants were local residents of Islamabad or Rawalpindi, Pakistan. Table 1 presents the profiles of the participants.

**Insert table1 here.**

The interviews were completed in different places based on the convenience to and preferences of the informants. These places included the participants' houses, shops and neighbourhood restaurants. The informants were given small financial incentives in the local currency equalling USD 3. The university's ethical guiding principles were followed while working with the low-income unbanked informants. Because the majority of the informants were either illiterate or less literate, the information sheet and consent forms were also explained to them verbally prior to the start of the interviews in order to ensure their understanding of the study's purpose. We also assured the informants of confidentiality and anonymity. We developed interview guidelines that were composed of questions related to

the informants' demographic profiles, personal and external factors that hamper their financial inclusion, their experiences with the bank staff during their visits to bank branches, their perception of the banks' fairness towards them and the consequences of banks unfairness in terms of vulnerability.

The wording and order of the interview questions were kept fairly flexible to accommodate the situation and the study participants' characteristics during the interviews. The interview questions were asked in a non-directive manner to motivate informants to express their views in detail during the interviews (Elliott & Jankel-Elliott, 2003). Thirty-four interviews were performed in Urdu and three were conducted in Punjabi; all the interviews were completed by the first author who possesses fluency in both languages. The interviews were audio-recorded with the consent of the informants. The interviews were conducted until the last few interviewees did not provide considerably new information compared to the previous interviewees. This was considered to be a sign of saturation (Myers, 2013), and thus the final sample size was reached. The duration of interviews ranged from twenty-two minutes to slightly more than an hour. This resulted in almost 20 hours of records that were transcribed verbatim. While reporting the data in this study, pseudonyms were applied to protect the identities of the participants.

### ***3.2. Data analysis***

We utilized a thematic analysis technique to identify, analyse and report themes inside the dataset. This method of data analysis not only allowed us to organize and explain the dataset in a rich detail but also permitted us to interpret different aspects of the study topic (Braun & Clarke, 2006). The accuracy of the interview transcripts was verified again by listening to the audio-recorded interviews on several occasions (Bird, 2005). The understandability of the

data was enhanced by reading it several times, which was followed by the identification of preliminary codes in the entire dataset. Given the exploratory nature of this study, a bottom-up-approach, in which data-driven coding was applied to the entire dataset, was utilized (Myers, 2013). The codes were also written on a separate sheet to facilitate comprehension and analysis. An analysis at a broader level was subsequently conducted to ascertain the likelihood of combining codes with themes. This plan facilitated our classification of a list of preliminary subthemes and themes. The themes were then reviewed and refined, which helped to ensure that the themes had sufficient support from the data. Initially, themes were evaluated at the coded data extract level and subsequently at the complete dataset level. With reference to a particular theme, the data were revisited several times when necessary to determine the missing information and increase the support for themes within the transcribed data. To ensure that themes fit with the codes, notes about each theme were taken on separate piece of paper for an in-depth understanding and accurate reporting of the themes. We then explained the meanings of the themes and identified which elements of the data are linked to each theme. In so doing, the data were first analysed independently, and initial themes were identified. However, the literature provided in this paper also aided us in refining and finalizing subthemes and themes, as we intended to name the subthemes and themes in a way that explicates their relevance to the study question. Finally, an analysis of each theme was presented, and quotes from the data were provided to support the arguments (Braun & Clarke, 2006).

#### **4. Findings**

The data indicate that banks' processes for serving low-income customers contain issues that can be scrutinized from the fairness perspective. Low-income unbanked participants'



perceptions regarding a bank's fairness towards them is elucidated in three themes: resource allocation, bank procedures and service encounters with frontline bank employees. The concepts of distributive, procedural and interactional justice can be applied to describe the experiences of the participants. The participants' stories indicate that they encountered unfair treatment in banks when they visited to open an account, pay utility bills, or both. The participants' descriptions highlight instances in which they were avoided and discriminated against by banks, impeding their financial inclusion.

The participants' experiences in situations in which they encountered unfair treatment and felt vulnerability at the banks can be analysed through three themes: avoiding, discriminating and impeding. First, avoidance is linked to the distributive and interactional justice elements of banks. Geographical barriers to banking and lack of knowledge about banks are distributive justice elements, and bank staff avoiding poor customers by providing them poor service is an interactional justice component. Second, participants perceived that banks discriminate against them. They expressed receiving discriminatory procedural treatment and disrespectful service from bank staff; these issues are related to the procedural and interactional justice elements of banks, respectively. Finally, the document and initial deposit requirement for a bank account are procedural justice elements. Banks' unfairness is an uncontrollable factor that leads to powerlessness and thus plays a central role in impeding low-income consumers' control over fulfilling their consumption goals (e.g., financial inclusion).

#### *4.1. Avoiding low-income consumers*

The data indicate that banks' avoidance of low-income consumers resulted in geographical barriers to banking and a lack of knowledge about banks. Participants also felt avoided when they received poor service from the bank staff. Low-income participants face geographical barriers to banking and a lack of information regarding banks; these limitations have been linked to distributive justice elements of banks. Poor service is associated with the banks' interactional justice aspects. The banks avoidance caused the participants to experience vulnerability. Financial detriment resulted from the high transportation costs needed to reach a distant bank branch, which would decrease daily income; non-financial detriment was caused by the cost in time to reach a distant bank branch, the physical drain and the reprimand from employers due to time wasted visiting banks.

Geographical barriers appeared mostly with respect to the accounts of migrant workers who lived in villages but moved to the city for work purposes. Most of the Pakistani population lives in rural areas and are thus susceptible to financial exclusion because they cannot easily reach their bank branches. Low-income participants' personal characteristics (i.e., poverty) often prevented them from maintaining personal transportation or access to affordable transportation. A distant bank branch entails transportation and time costs. Thus, both their personal characteristics and external factors (i.e., geographical barriers) render them vulnerable. Poor customers usually incur greater costs in reaching a bank due to their residency in rural or disadvantaged areas compared to the mainstream urban consumers. They perceive a lack of control over their money if they open a bank account and keep money in banks because a distant bank branch prevents them from utilizing their money if it is urgently needed. Therefore, geographical barriers to banking also stimulated the participants'

perception that there is little need or benefit in opening a bank account. Niaz encountered this barrier when he was living in a village; he explains his story in the following way:

*There is no bank in village. We have to go far-off. That is why we have not opened a bank account...It is about 25-30 kilometres... I thought that if I opened a bank account and I needed money, then it would a problem. It is difficult to go to the bank because I often do not have time (Niaz, 26).*

Some female participants who were local residents faced barriers to accessing bank branches due to the distance of a bank branch from their home and due to cultural conventions. Female participants depended on the company of male family members to reach to a bank branch. Izza, a housewife, narrates her story in the following paragraph:

*The bank is also a little faraway; I cannot go alone, and I cannot send my husband there [Bank] either... If it [the bank] is very close then one can go...We understand it is a problem because it is difficult to go there. His [the husband's] health is not very good, and I cannot go alone...I really want to open a bank account, but then, I think that if I deposit money today, then I will have to go withdraw it tomorrow. Then, I have to take a taxi (Izza, 55).*

The participants generally lack knowledge concerning banks. The illiterate participants in particular have no or very little knowledge of banks. These participants believe that at banks, they can only deposit money into their savings and then withdraw. Therefore, some participants never tried to open a bank account. While restricted income coupled with illiteracy may encourage financial exclusion among low-income participants, their lack of awareness concerning the advantages of opening bank accounts encouraged them to remain

unbanked. They believed that one should only open a bank account when in the possession of significant money. The accounts of participants also imply that banks do not fairly allocate their promotional campaigns and consumer education budgets; thus, they feel neglected in marketing campaigns. The following quotation from an interview highlights that low-income unbanked consumers' lack information regarding banks and their functions.

*Bank account? If I tell you the truth, I do not know what the advantages of banks are. What are the disadvantages? We have never been there. We do not know, so what we can say to you (Bari, 34)?*

The participants believe that the bank staff avoids serving them by providing them with poor service. Low-income consumers' explanations regarding their interactions with the bank staff reflect interpersonal and informational justice issues. Lack of literacy skills exacerbate participants' experiences with bank staff, as the participants were sometimes unable to understand the bank staff's explanations. Further, participants' negative experiences regarding the bank's staff were exacerbated when the participants believed that they were receiving poor service in the form of a lack of cooperation, assistance and time management. Lack of assistance and inadequate information provided by the bank staff made low-income participants believe that they were being intentionally avoided by the bank staff. It was obvious from the participants' accounts that they expected extra assistance in their attempts to open an account, as they openly admitted the vulnerability that resulted from their poverty and illiteracy. However, perceptions of poor service discouraged participants from pursuing financial inclusion. A violation of interpersonal and informational justice and ensuing financial exclusion is evident in the following interview quote:

*Once I went to a bank, but I did not understand everything they told me. I could not understand, and then I did not go back...They [the staff] were talking with me quickly, and I could not understand this rush...they did not give me the right information explaining that this will happen like this, and this will happen like this. They were not listening. They said to bring this completed form. I told myself to leave this for now...I was hurt, and that is why I did not try again to open a bank account (Niaz, 26).*

The participants' stories indicate that the poor service provided by the bank staff left the participants feeling reprimanded. The participants felt that their time had been wasted. For example, the staff told them to sit and wait, offering the excuse of a computer problem and telling them to come to the bank some other day. The bank staff were also told providing participants with inadequate information or gave them the wrong account opening options. The wasting of time often caused a decrease in the daily income of the study's participants, as they worked in informal professions. Participants also suffered from tiredness and were sometimes reprimand by their informal employers. The following interview passage explains how the bank staff wasted the time of one of their potential customers:

*They do not listen to what we are saying; they first tell you to sit there... They made me go to the bank twice or thrice, and finally, I did not go to the bank (Papu, 26).*

Based on the data analysis we conclude the following propositions concerning avoidance leads to consumers' perceptions of unfairness and experience of vulnerability:

**P1: The banks distributive justice elements including geographical barriers to banking and lack of knowledge about banks prevent low-income consumers to engage successfully with banks and thus contribute to their experience of vulnerability.**

**P2: The poor service delivered to low-income consumers by banks staff discourage their financial inclusion and thus contribute to their experience of vulnerability.**

#### ***4.2. Discrimination against the low-income consumers***

Low-income participants reported discriminatory procedural treatment and disrespectful behaviour from bank service staff. The discriminatory procedural treatment indicates a procedural justice component, whereas disrespectful behaviour on the part of the banks is associated with an interactional justice element. The low-income participants experienced vulnerability due to perceived discrimination in ways that included feelings of powerlessness, seeing themselves as inferior to others and feeling insulted.

The data include service incidents that indicate discriminatory procedural treatment. Participants reported that social contacts, wealthy customers, well-dressed and educated people received better and expedited procedural treatment from the banks beyond that of the low-income consumers. The bank staff usually followed procedures that were lengthy and sometimes difficult for participants to follow (i.e. during utility bill payments and in their attempts to open an account). The participants believed that there should be similar procedures for everyone regardless of their economic situation or social connections with the bank staff. Nori explains her experience of procedural unfairness in the following way:

*When we go to the bank, we see that when their [bank staff] acquaintance comes [to the bank], we keep standing there [in the queue], and he deposits the bill and goes (Nori, 40)*

The participants differed in their orientation towards the unfair procedural treatment. A few participants believed that their loss of control while visiting the banks was solely due to

external factors (i.e. discriminatory procedural treatment of banks). However, some participants blame both their personal (e.g. poverty and illiteracy) and external (e.g. banks discrimination) circumstances for restricting their control while trying to acquire or consume basic financial services. Nevertheless, when participants experienced discriminatory procedural treatment from a member of the bank staff, they experienced vulnerability as a result. Their stories specify that due to their lack of control, they perceived themselves as powerless and observed themselves as being inferior to those who were given better treatment by the bank staff. Such experiences of vulnerability are evident in the following interview excerpt:

*We also feel shy when we go to the bank. They do not give us that reception that they give to more educated and well-dressed people...When I went to the bank, [bank] security personnel inspected me as though I were a suspect. Obviously, I went there in an ordinary Shalwar Kameez [Dress in Pakistan], and my clothes were not of very high quality. When I went there, the security staff member asked me why I came there and for what purpose (Phol, 46).*

The participants' stories reveal that economically well-off customers are treated in a respectful manner by the bank staff, while the participants were addressed in a disrespectful way. This is an issue of interactional justice. The perceived negative behaviours of the bank staff forced the low-income unbanked participants to perceive themselves as less than others in the society. One disabled participant felt that he was handled in a disrespectful manner by bank staff due to his poverty:

*They behaved with me in a way that indicated that I was their enemy. They did not talk to me in right manner. Who likes to talk with poor people? They did not talk with me properly. They did not think that they needed to listen to me since I came here on a wheel chair... with other*

*customers they were behaving in a way as those are their brothers and sisters. No one listens to poor people (Noor, 32).*

Some participants who were addressed in a disrespectful manner by a bank staff member felt insulted as a result of their service encounters. These patterns included bank staff asking participants about the origin of their money, telling them to go to another bank or branch, not listening to them carefully and behaving rudely. The problems in banks' interactional justice elements hampered financial inclusion of the participants and caused them to experience vulnerability. Pola gives his opinion in the following way:

*Those who are from a lower class, those who obviously have 15 or 18 or 12 thousand [Pak Rupees] income –this is nothing for them [for banks], which means they do not deal well with us...One comes back [from bank] annoyed that it is better not to open a bank account because everyone likes to keep his respect (Pola, 29)*

The following proposition summarizes how discrimination of low-income consumers relates to perceptions of unfairness and vulnerability:

**P3: Procedural and interactional justice elements of banks' service are connected to discriminatory treatment of low-income consumers and contribute to their experience of vulnerability.**



### ***4.3. Impeding the financial inclusion of low-income consumers***

Procedural justice elements were visible in the data in shape of requirements of documents and initial deposits when opening a bank account. The data show how violating this justice component can impede financial inclusion and result in experiences of vulnerability. The requirement of certain documents to open a bank account impeded the financial inclusion endeavours of the participants. Many participants were working in informal professions in which money transactions are commonly completed in cash and employment contracts are rarely provided to employees. The participants considered these documentary obligations for opening a bank account to be unfair. This resulted in feelings of powerlessness and lack of control. The participants felt helpless because they thought their personal circumstances induced banks to exclude them from acquiring and consuming basic financial services. The following interview passage exemplifies the situation:

*I told them that I do water bore work. I provided them full information, but in the end, he crossed the form that I completed and kept it with him. He said that my account could not be opened...if I did not have a business address and did not have any source of income...my bank account could not be opened...This [system] does not the favour a poor man. (Jani, 43).*

The participants also expressed their inability to fulfil the initial deposit requirement for opening a bank account and they perceived this requirement to be unfair, as banks were treating the poor just as they would treat mainstream consumers in the account-opening processes. This condition hampered participants' control over accomplishing their consumption goal and triggered an experience of vulnerability. The following interview quotation explains this barrier:

*Once, I went to the bank, and they said, I think, to deposit ten thousand then my account would be opened. I did not think of opening a bank account after that... because there was no urgent need. If I had an urgent need, then I might have deposited ten thousand (Mani,27).*

Low-income participants' personal characteristics (e.g., poverty and illiteracy) obstructed their financial inclusion to some extent. However, financial exclusion of the poor can primarily be blamed on banks' lack of fairness towards them. The low-income participants' accounts of their experiences in banks revealed service processes that implied distributive, procedural and interactional unfairness from banks (see table 2). The lack of bank fairness created a barrier to the fulfilment of the consumption goals of low-income consumers, which caused them to experience vulnerability in form of encountering different financial and non-financial types of harm.

The following proposition concludes how banks' policies impeding financial inclusion connects to perception of unfairness and vulnerability:

**P4: Banks procedural justice elements impede financial inclusion of low-income consumers and thus contribute to their experience of vulnerability.**

**Insert table 2 here.**

## **5. Discussion**

This study draws from low-income unbanked consumers' accounts in order to illustrate the ways in which banks' justice elements are associated with those consumers' experiences of vulnerability. This research complies with recent calls for action in the service research

community to enhance well-being of the poor in service settings (e.g., Fisk et al., 2016; Reynoso et al., 2015; Gebauer & Reynoso, 2013). This study findings to complement the studies conducted on poor customers of financial services in TSR domain (e.g. Sanchez-Barrios et al., 2015; Martin & Hill 2015) by addressing issue of their financial exclusion, which is considered to be one of the major issues with regards to their well-being in developing countries. It highlights the problems faced by low-income consumers in their financial inclusion and provides suggestions for serving them in a better manner both for their financial inclusion and to enhance their well-being. Drawing on justice theory and consumer vulnerability literature, the present study indicates how perceptions of banks' unfair service processes result in the experience of powerlessness and lack of control amongst the economically vulnerable consumers. Although the personal circumstances of low-income individuals hinder their financial inclusion to some extent, banks' prejudice against serving low-income consumers mainly cause them exclusion and powerlessness. The low-income consumers' standpoint highlights the fact that they are denied distributive, procedural and interactional justice by the banks.

The first theme describing banks' service was the avoidance of low-income consumers, which portrays both the distributive and interactional injustice of banks. Distributive justice as fairness has a built-in ethical element that indicates that it is the duty of organizations to distribute resources after a careful consideration of moral justification (Laczniak & Murphy, 2008; Laczniak, 1999). Vulnerable consumers should be given unique consideration by the powerful party, i.e., the seller, when distributing resources (Rendtorff, 2009; Laczniak & Murphy, 2008). Banks' reluctance to open branches in low-income neighbourhoods and rural areas creates geographical barriers to banking and exacerbates the 'structural vulnerability' of low-income consumers seeking to consume financial services. Structural circumstances are

one of the several external factors that add to the broad conception of consumer vulnerability (Baker et al., 2005). Similarly, low-income consumers' lack of knowledge regarding banks reflects distributive unfairness. The poor face 'marketing exclusion', as banks avoid allocating resources for informing and targeting them due to their lack of profitability (Kempson & Whyley, 1999), which leads the poor to experience 'information vulnerability'(Cartwright, 2011). Due to their marketing exclusion and information vulnerability, unbanked consumers manage their routine financial matters informally, which may result in detrimental feelings (Kempson & Whyley,1999; Wang & Tian, 2014; Cartwright, 2011).

Ethics in the services business is dependent on better treatment of vulnerable customers (Rendtorff, 2009). The vulnerable circumstances of low-income unbanked consumers warrant extra support from banks' service staff in completing those consumers' consumption goals (Brennan, 2006; Baker, 2006). However, bank staff has tried to avoid low-income participants through poor service, which indicates lack of an interactional justice component of banks.

The second theme in describing banks' service towards the unbanked consumers is discrimination, which signals procedural and interactional unfairness. Procedural justice principles are violated when customers in analogous situations are treated differently by a firm (Chung-Herrera, 2007). The low-income participants perceived that bank staff handles affluent customers with expedited procedures, which indicates the procedural unfairness of banks towards the poor. Likewise, low-income participants perceived discrimination when bank staff addressed them in a disrespectful way, illustrating interactional injustice towards the poor. Vulnerable consumers wish that sellers would address them with equality and

respect (Baker, 2006). Discrimination in procedures and interactions lead the poor to experience vulnerability, as those low-income consumers perceive themselves as inferior to those who are given better treatment by bank staff.

Lastly, one of the procedural fairness principles is that organizations ensure that they consider the perspective of various groups who are affected by a decision (Leventhal et al., 1980; Colquitt et al., 2001). This research indicates that banks' account opening procedures impeded the financial inclusion of the poor. This represents a lack of procedural justice elements on the part of banks. Banks had similar procedures for opening accounts for both mainstream consumers and the low-income consumers despite these customer groups having very different resources and capabilities to fulfil the procedural requirements. This procedural unfairness was connected to the powerlessness and deprivation felt by the low-income participants.

Avoiding, discriminating and impeding financial inclusion reflect distributive, procedural and interactional unfairness. These forms of injustice can be regarded as unspoken strategies to discourage low-income customers in banks and thus achieve favourable financial outcomes for firms (Kotler & Levy, 1971). However, the ethics of these strategies can be questioned (Mayser & von Wangenheim, 2013), in particular, when consumers are left without comparable substitutes (Kotler & Levy, 1971). The financial service organizations exclude the poor from basic financial services without considering the impact of their actions on the excluded consumers. Financial exclusion imposes considerable costs on the unbanked population although the poor are interested in their financial inclusion (Solo, 2008) to escape their vulnerable circumstances (Wang & Tian, 2014). This necessitates a change in the attitude of different financial services entities (Anderson et al., 2013) towards serving the

poor. Financial service entities such as the regulator, banks' top management and frontline employees can collectively ensure fairness for low-income consumers through policies, procedures and actions.

### ***5.1. Public policy implications***

We propose a number of policy implications for delivering impartial banking services to low-income consumers, which could enhance their well-being and alleviate their vulnerability. Because this study was conducted in Pakistan, the policy implications are directly applicable there but could also be relevant to other developing countries with massive unbanked population. The lack of banks' fairness towards the poor is a major cause of their exclusion from mainstream financial services and onward experience of vulnerability. Therefore, banks regulators should introduce viable mechanisms to protect and serve low-income consumers in developing countries.

The low-income unbanked consumers' perception of being avoided by financial services providers can be overcome by enhancing access to bank branches in remote areas and by educating the poor about financial services. Participants with a rural background (i.e., migrant workers) typically encountered 'structural vulnerability' (Baker et al., 2005) in their attempt to utilize basic banking services while living in their villages. Their experience of structural vulnerability can be alleviated by opening more branches in rural areas. Presently, Pakistani commercial banks are bound to open at least 20% of their new branches in rural and underserved areas (The banker, 2015), but 61% of the Pakistani population resides in villages (World databank, 2015). Likewise, many developing countries in Asia and Africa have more than 60% rural population (World databank, 2015). The rural population encounter structural

vulnerability in accessing basic financial services in other developing countries too. Therefore, to enforce distributive justice for the poor, the regulators in respective countries could consider making it mandatory for commercial banks to open at least 50% of new bank branches in unserved or underserved rural areas. Moreover, due to widespread illiteracy in developing countries, the poor generally lack adequate knowledge about the benefits of opening a bank account (Chopra, et al., 2017). Thus, the banks regulator and NGOs promoting financial inclusion could launch educational programmes to enhance basic financial knowledge amongst low-income consumers in various developing countries in order to improve their financial inclusion.

This study illustrated instances in which bank staff followed discriminatory procedural treatments, showed disrespect and provided poor service to their low-income customers, which is certainly not part of the official code of conduct for banks' business. This might not be the policy of banks, but it could be followed by some frontline employees and ignored by the managers when observed. To enhance procedural and interactional fairness for the poor, banks could educate their staff about their business code of conduct and train them to effectively address the low-income consumers. Due to their personal circumstances, these consumers warrant extra support in completing their transactions.

Finally, low-income consumers' perceived impediments in opening a basic bank account has recently been addressed by the regulator to some extent, but room for improvement still exists. When the data collection was complete, there were mandatory documentary and initial deposit requirements for opening a bank account. However, on the recent instruction of the regulator, an Aasan account has been launched specifically for low-income consumers. This account can be opened by completing a form and by providing a copy of a national identity

card. This is a very encouraging step towards the financial inclusion of the poor, as it eliminates some of the procedural issues faced by the poor. However, this study also illustrates that low-income consumers in general lack knowledge about the benefits of using a bank account, and they usually lack literacy skills to do so. Therefore, the Aasan bank account should be promoted by banks through viable communication channels that can deliver verbal information to the target market. Apart from the national language, Aasan account commercials should be aired in different provincial languages because some rural populations can only speak or understand their mother tongue. Researchers in some other developing countries have also reported that initial deposit and documentation requirements discourage the poor consumers financial inclusion (e.g. Solo, 2008). Therefore, banks regulators and financial service providers should assess the basic account opening requirements and simplify the process, where applicable.

## ***5.2. Study limitations and future research directions***

First, the sample for this study was drawn from low-income consumers. This study did not incorporate the views of unbanked consumers from other social classes with respect to the banks' fairness. Future studies could investigate the perceived fairness of banks amongst consumers from other income stratum. Second, this study only takes the perspective of the unbanked consumers; it does not incorporate the difficulties faced by the bank staff in dealing with the low-income consumers. Therefore, future studies could explore challenges and complications encountered by banks' frontline staff in serving low-income consumers. Third, the role of service employees and managers is vital in serving vulnerable customers in a fair manner. Future studies could explore how bank staff and managers perceive fairness for poor customers and how they perceive their role in assisting the poor customers in mitigating their



potential vulnerability with regards to financial services. Fourth, this research advocates low-income consumers' financial inclusion and well-being by investigating their perspective. However, those who directly serve vulnerable customers could also encounter vulnerability (i.e., due to banks' poor working conditions specifically in developing countries' milieu). Another study in the realm of TSR could examine how banks' working conditions assist or impede frontline employees in serving vulnerable customers fairly. The research may comprehend the potential workplace problems faced by banks' service employees and propose implications for their well-being. Lastly, mainstream consumers may encounter difficulties in different service settings, which may trigger a perception of unfairness and experience of vulnerability. For instance, many ordinary consumers encounter problems in understanding financial product information (Cartwright, 2011). However, their perceptions and experience of vulnerability might differ from vulnerable consumers. Thus, there is a potential to empirically explore patterns of service providers unfairness and consumers experience of vulnerability with regard to other consumer groups and in other service sectors.

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**Table 1: Participant profiles**

S#	Alias	Sex	Age	Occupation	Education	Income	Residence
1	Jani	M	43	Water Bore Worker	High School	15000-20000	Local
2	Mani	M	27	Café Worker	High School	12,000	MW
3	Papu	M	26	Tailor	School Leaver	17000-18000	MW
4	Khan	M	44	Taxi Driver	Illiterate	15000-16000	Local
5	Bano	FM	36	Housemaid	Illiterate	15000	MW
6	Raja	M	41	Vegetable Seller	School Leaver	15000-17000	Local
7	Izza	FM	55	Housewife	School Leaver	20,000	Local
8	Rani	FM	25	Housemaid	Illiterate	8000	MW
9	Pola	M	29	Grocery Shopkeeper	Undergraduate	15000-16000	MW
10	Nomi	M	21	Cashier in Café	Completed School	11000	MW
11	Nori	FM	40	Cleaner in School	Illiterate	7000-8000	MW
12	Babu	M	42	Whitewasher	Completed College	12000-15000	Local
13	Jelo	FM	40	Pvt School Teacher	Completed College	7000	Local
14	Shan	M	26	Salesman in a Shop	High School	10000	MW
15	Niaz	M	26	Tailor	Illiterate	15000-18000	MW
16	Bibi	FM	45	Housemaid	Illiterate	8500	MW
17	Babli	FM	46	Tailoring from Home	Illiterate	10000-12000	MW
18	Sami	M	22	Grocery Shopkeeper	School Leaver	15000-20000	MW
19	Bari	M	34	Barber	Illiterate	10000-12000	MW
20	Rema	FM	23	Housemaid	Illiterate	7000-8000	MW
21	Mana	M	24	Cleaner in a Firm	School Leaver	7500	MW
22	Malik	M	47	Labour Supervisor	School Leaver	15000-20000	MW
23	Nelo	FM	25	Housemaid	Illiterate	10000	MW
24	Noor	M	32	Tailor	Illiterate	10000-12000	MW
25	Rifi	FM	50	Housemaid	School Leaver	10000	MW
26	Zain	M	30	Tailor	School Leaver	15000-20000	MW
27	Sher	M	64	Dry Cleaner	School Leaver	10000-15000	Local
28	Kaka	M	26	Welder	School Leaver	13000	Local
29	Billa	M	40	Taxi Driver	Completed School	20000-25000	Local
30	Phol	M	46	Taxi Driver	School Leaver	22000-23000	Local
31	Sema	FM	25	Tailoring from Home	Illiterate	15000-16000	MW
32	Teto	M	26	Grocery Shopkeeper	School Leaver	18000-20000	Local
33	Chand	M	40	Tailor	School Leaver	25000-26000	MW
34	Gama	M	35	Hawker/Sweets Seller	Illiterate	10000	MW
35	Laila	FM	40	Housemaid	Illiterate	15000-16000	MW
36	Sana	FM	35	Pvt. School Attendant	Illiterate	10000	MW
37	Gul	M	25	Salesman in a Shop	School Leaver	8000	Local

**Table 2: Perceptions of fairness dimensions**

<b>Themes</b>	<b>Justice elements of banks</b>	<b>Examples of consumer experiences of vulnerability</b>
<b>1. Avoiding</b> (a) Geographical barriers (b) Lack of information about banks (c) Poor service	Distributive justice element Distributive justice element Interactional justice element	Higher transportation and time costs. Perceive little need to open bank account. Time wastage and decrease in daily income.
<b>2. Discriminating</b> (a) Discriminatory procedural treatment (b) Disrespectful behaviour of bank staff	Procedural justice element Interactional justice element	Feelings of powerlessness and inferiority. Perceived themselves less than others and insulted.
<b>3. Impeding</b> (a) Documentation requirement (b) Initial deposit requirement	Procedural justice element Procedural justice element	Feelings of helplessness, lack of control and powerlessness.