FACTORS AFFECTING THE USAGE OF BANKING PRODUCTS AND SERVICES BY LOW INCOME AND UNDER-BANKED CONSUMERS

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BY

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DECLARATION

I, *Mbunwe Belter Giwe, s210012234*, hereby declare that the *dissertation* for *Master of Commerce in Business Management* is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

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Mbunwe Belter Giwe

ABSTRACT

A fundamental idea of this study was that the formal financial institutions have an essential role to play in the process of assisting financial inclusion of South Africa's low income and under-banked consumers. Financial inclusion is important for consumers to have access to affordable basic financial products and services. An increase in the number of financially included consumers is important for growth of home ownership, positive savings habits among low income consumers and mitigating risks with insurance products. Consumers have access to financial products and services but are not equipped with the basic knowledge to fully benefit from the use of these financial products and services. As a result, the construct of financial inclusion and the measures being taken by South African financial institutions to optimise financial inclusion was investigated in this study.

There is a broad consensus that under-banked consumers face a myriad of factors that may prevent them from having effective access and usage of banking products and services. The effective usage of banking products and services not only promotes an inclusive society but also consumers' ability to take full advantage of the benefits of having access to suitable financial products and services. The influence of these factors on the usage of banking products and services by low income and under-banked consumers was under investigation in this research study. The influence of these factors on the usage of banking products and services by low income and under-banked consumers was under investigation in this research study.

To achieve this, the researcher identified a number of factors that have a relationship with usage. These include *Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness* of banking products and services. Consumers' usage of banking products and services were tested using primary data collected from low income and under-banked consumers in the NMB.

This study only focused on five influencing factors. The investigation of other possible factors contributing to the usage of banking products and services is

necessary. Making use of a larger sample and an improved model with other pertinent influencing factors might bring to light the significant factors involved in the decisions made by consumers in the usage of banking products and services.

The significant factors presented in this study reveals that of the five proposed relationships, only two were found to be significant (*Financial Awareness* and *Appropriateness*). The findings of the study show that the usage of banking products and services can be increased through increased *Financial Awareness* about various available banking products and services, changing the unrealised need of the consumers into a realised need for banking and providing affordable products and services for various sections of the population. *Appropriateness* also reported a positive significant influence on *Usage*. This means that consumers are likely to access their bank account at different locations. With banking institutions offering products and services that meet their needs, consumers can achieve their financial goals and improve lifestyles by doing all transactions via the bank account and having more control over their personal financial affairs.

Recommendations where suggested based on the empirical results to help improve the banking institutions ways of attracting and retaining consumers to effectively use their products and services. It was recommended that banking institutions should tailor their marketing campaigns towards low income and under-banked consumers in order to improve the level of financial awareness of consumers about banking products and services they consume. Seek to improve their communications strategies by adopting techniques that effectively transmits their ideas between the banking institutions and low income and under-banked consumers. And also focus should be on the creation of innovative design systems to ensure that banking products and services will effectively address the needs of low income and under-banked consumers.

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CHAPTER 1

OVERVIEW OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

Since the establishment of democracy in South Africa, government policies have been aimed at developing a financially inclusive society. A financially inclusive society is one where all sections of the population have equal access to financial products and services, which in turn promotes an inclusive economic growth (Triki & Faye 2013:25). Effective financial inclusion is achieved when all consumers gain access to basic financial products and services underpinned and supported by suitable financial advice and education (Rowlingson & Mckay 2013:8). The aim of a financially inclusive society in South Africa is to ensure that all citizens gain access to basic financial products and services that may relieve poverty and achieve a measure of financial stability for all households (FinMark Trust 2012). Financial inclusion thus plays a vital role in improving the lives of local communities (Gordhan 2012:3), as access to basic financial products and services can considerably improve consumers' financial situations (Sarma 2008:3). Furthermore, to improve the financial situation of consumers, low income and under-banked consumers must adequately use the financial products and services (Joshi 2011:1). Gross, Hogarth and Schmeiser (2012:3) define under-banked consumers as individuals who have access to banking facilities such as savings or money market accounts but make minimal use of value added services on offer.

The importance of financial inclusion and its impact on consumers' financial situations has been emphasised in recent years (Gordhan 2012:3). Thus to increase the level of financial inclusion in South Africa, many initiatives were introduced and these include the Financial Sector Charter (FSC), the Mzansi account initiative and institution of the Social Security Agency of South Africa (SASSA) (Alliance for Financial Inclusion (AFI) 2012:9). The FSC came into effect in January 2004 as a result of the Financial Sector Summit hosted by the National Economic Development and Labour Council (NEDLAC). The Financial Sector Summit agreed to transform the financial sector on 20 August 2002 (FSC 2013) to bring an end to the financial exclusion of the disenfranchised sectors of the South African population. According to Moyo and Rohan (2006:296-297) the FSC focuses on six pillars, namely human resources development, procurement and enterprise development, ownership and control, access to financial products and services, empowerment financing and corporate social investment. The aim of the FSC is the promotion of Black Economic Empowerment (BEE), primarily by making sure that the financial sector follows business practices that will eventually promote the financial inclusion of the previously disadvantaged groups.

Achieving the aims of the FSC poses challenges to the parties that endorse it. For example, the “access to financial services” pillar (FSC 2003:9) necessitates banking institutions to provide basic financial products and services to low income and under-banked consumers. Banking institutions must be aware to ever-changing technologies and must ensure that multi-channel electronic banking facilities, such as the Internet, telephone, automated teller machines (ATMs) (FSC 2003:3) and self-service-terminals (SSTs) (Rose & Hudgins 2005:664), not only provide innovative access to formal mainstream consumers, but also address the unique features of the low income and under-banked consumers. When servicing the low income and under-banked consumers, banking institutions must decide whether to adopt a remote or personal interaction approach. While innovation is vital, banks must ensure accessibility (FSC 2003:9) and promote basic financial awareness among their consumers.

Another initiative was the Mzansi account which was initiated in 2004 by the South African Banking Association to provide previously financially excluded South Africans with the opportunity to have access to a low cost bank account (AFI 2012:9; Hawkins 2009:6). This was followed by the SASSA re-registration process, where each beneficiary is offered a bank account with zero monthly charges (The Banking Association of South Africa 2013). All these initiatives serve to improve the level of financial inclusion among low income and under-banked consumers. According to FinMark Trust (2013:7) consumer surveys have shown that South Africa’s banked population has grown substantially from 23.9 million people in 2012 to 27.4 million people in 2013, signifying strong growth in terms of financial inclusion.

However, the success of financial inclusion hinges on consumers making effective use of financial products and services (Triki & Faye 2013:25). Studies have shown that the number of consumers, who use financial products and services, has grown but is limited to the withdrawal of funds only (Bold, Porteous & Rotman 2012:14). Thus, more consumers have access and can afford financial products and services than ever before (Rowlingson & Mckay 2013:5) but are not equipped with the basic knowledge to fully benefit from the use of these financial products and services (The Banking Association of South Africa 2014). These consumers are referred to as under-banked (Sherbut 2008:8). Hawkins (2009:1) and Gordhan (2011:1) state that consumers must have access to financial products and services and use the facilities for the purposes of saving, obtaining credit, investing for retirement, and making financial provision for the future through purchasing insurance.

1.2 PROBLEM STATEMENT

According to Sarma (2008:8) simply having a bank account is not enough for an inclusive financial system; it is also essential that the banking products and services be sufficiently utilised. Bold *et al.* (2012:14) claim that some consumers hardly use their bank account to do anything other than withdraw their income. Despite the high number of Mzansi accounts that have been opened, many accounts remain underutilised (Mishi, Vacu & Chipote 2012:11). According to the Global Partnership for Financial Inclusion (2014:7) the Mzansi account initiative was successful in promoting consumers to open bank accounts, but failed to encourage the extensive usage of the banking products and services.

Usage of financial products and services should guarantee the customer’s ability to take full advantage of the banking products and services (The Banking Association of South Africa 2014) by mitigating all risks associated with the use of banking products and services. Risks associated with the usage of banking products and services may include financial awareness, geographical distance to banking products, distrust in banks, banking fees charged by institutions and the quality of banking products (Demirguc-Kunt & Klapper 2013:30; Rather & Lone 2012:2). Thus the aim of this study is to investigate the factors that affect the usage of banking products and services.

1.3 PURPOSE OF THE STUDY

Given the problem statement, the purpose of this study is to determine the factors that affect the usage of banking products and services by under-banked consumers in the Nelson Mandela Bay (NMB) region. One of the envisioned outcomes of this study is to expose possible shortcomings in the financial awareness of under-banked consumers and to improve the appropriateness of banking products and services provided to under banked-consumers. This will be done to provide guidelines to banking institutions with regard to the development of accurate financial education programmes and appropriate banking products and services to increase the usage of banking products and services by under-banked consumers.

1.4 RESEARCH OBJECTIVES AND QUESTIONS

Having identified the problem and the purpose of the study, the objectives of the study are stated below.

1.4.1 PRIMARY OBJECTIVE

The primary objective of this study is to investigate the factors affecting the usage of banking products and services by under-banked consumers in the NMB region.

1.4.2 SECONDARY OBJECTIVES

To give effect to the primary objective of the study, the following secondary research objectives have been identified:

- To conduct a literature review on the importance of financial inclusion in the banking sector in South Africa.
- To conduct a literature review on the factors that affects the usage of banking products and services.
- To propose a theoretical framework hypothesising the relationships between the factors identified in the literature that affect the usage of banking products and services.
- To investigate research methodology, data collection method and data analysis are most suitable to address the research questions.
- To undertake empirical investigation to test the hypothesised relationships.
- To develop a measuring instrument that will collect empirical data and analyse the primary data.
- To draw pertinent conclusions and forward recommendations based on the empirical results of this study.

1.4.3 RESEARCH QUESTIONS

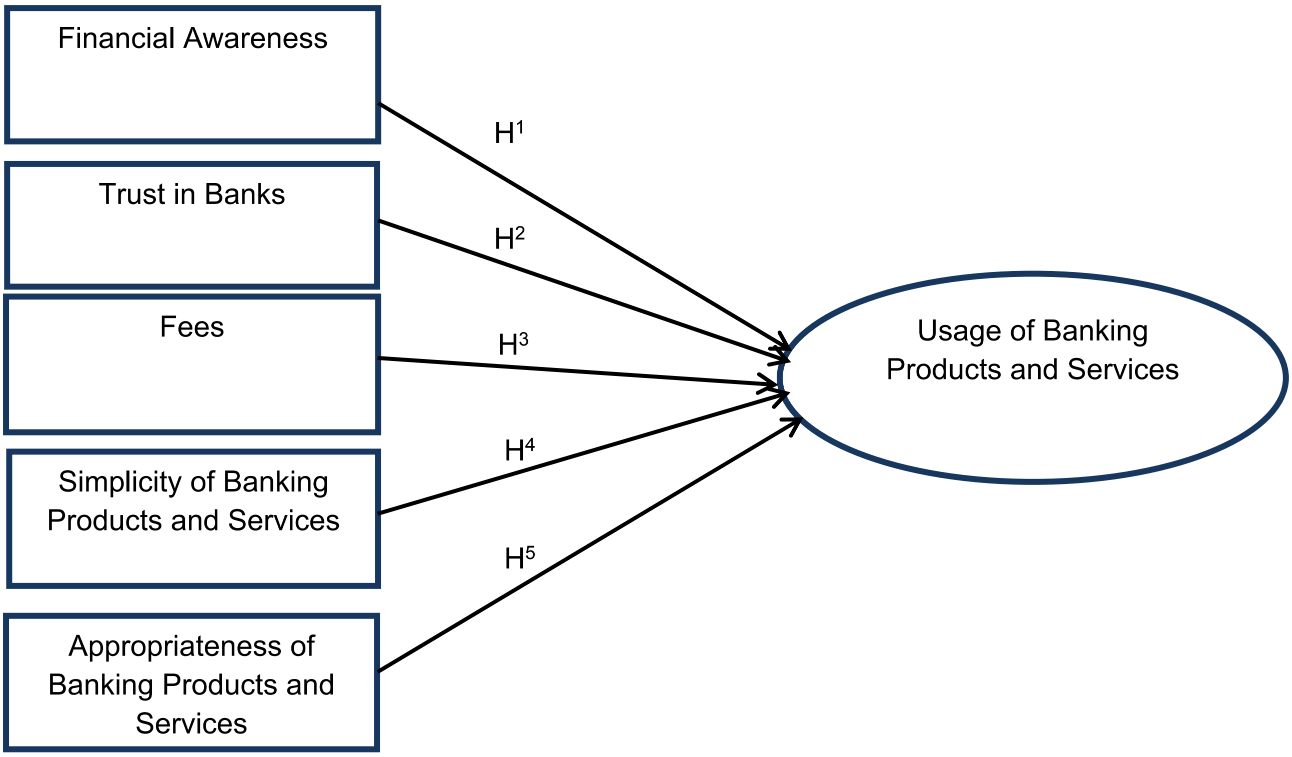
The main research questions guiding the study are:

- What are the factors that affect the usage of banking products and services by low income and under-banked consumers in the NMB?
- What strategies should banking institutions implement so as to increase the usage of banking products and services by under-banked consumers?

1.5 RESEARCH FRAMEWORK

Figure 1 below identifies the variables from the framework of the study and has been compartmentalised into two groups; namely the independent variables and the dependent variable. According to Zikmund, Babin, Carr and Griffon (2010:120), independent variables refer to variables that are expected to influence the dependent variable. The dependent variable refers to a variable that is explained by another variable, namely the independent variables. For the purpose of this study, independent variables are; *Financial Awareness, Trust in banks, Fees, Simplicity* and *Appropriateness* of products and services. The relationships between these variables are modelled based on findings in the literature review and explain the relationships between the independent variables and the dependent variable.

FIGURE 1: THEORETICAL FRAMEWORK



(<u>Source</u>: Researcher's own construction)

On the basis of the theoretical framework (Figure 1), a set of hypotheses can be formulated as authenticated by secondary sources (literature). According to Babbie and Mouton (2010:643) a hypotheses is a statement that assumes that a certain relationship exists between two or more variables. These sets of hypotheses will be tested empirically by collecting primary data and adopting suitable statistical techniques to analyse the primary data. Based on the theoretical framework the following hypotheses can be presented.

H^1: There is a significant positive relationship between *Financial Awareness* and the *Usage of* banking products and services.
H^2: There is a significant positive relationship between *Trust* and the *Usage* of banking products and services.
H^3: There is a significant positive relationship between *Fees* and *Usage* of bank products and services.
H^4: There is a significant positive relationship between S*implicity* and the U*sage* of bank products and services
H^5: There is a positive relationship between *Appropriateness* and the *Usage* of bank products and services.

To be able to collect primary data and adopt a research instrument and statistical technique, a decision need to be made about the research design.

1.6 RESEARCH DESIGN AND METHODOLOGY

Research design involves the examining of the methodology and is best used to maximise researchers' limited resources (Cooper & Schindler 2008:140) in order to receive answers to the proposed research questions. Research design provides the researcher with information on issues such as which research questions should be answered, how and when data will be collected, and also states the manner in which the data will be analysed. For the purpose of this study the research design will include the research paradigms, research approach, sampling, data collection, data analysis, including validity and reliability and other statistical procedures.

1.6.1 RESEARCH PARADIGMS

There are two main research paradigms or philosophies; namely a phenomenological paradigm and the positivistic paradigm (Collis & Hussey 2003:47). The phenomenological paradigm is a philosophical approach which is based on how human experience is shape by the relationship they have with the physical environment (Zikmund *et al.* 2010:137). According to Babbie and Mouton (2010:22) the positivistic paradigm is founded on the belief that human behavioural studies should be conducted in the same way as studies in the natural sciences.

Positivistic paradigms include numerous beliefs about how a researcher can make sense to others. These paradigms are based on the assumption that no-one is perfect and that all human beings are imperfect (Babbie & Mouton 2010:21). Positivism is based on realism like for instance, perceptions and opinion about the usage of banking products and services. This belief is based on the assumption that social reality is independent of research objectives and exists regardless of whether the researchers are aware of it. When using positivistic research methodologies, the act of investigating reality has no effect on the reality itself (Collis & Hussey 2003:52). The choice of paradigm dictates the research approach. There are two approaches to research that can be followed, namely a qualitative approach and a quantitative approach.

1.6.2 RESEARCH APPROACH

Qualitative research is more complex in nature than quantitative research due to the use of non-numerical data which may include text, visual and/or oral data (Struwig & Stead 2001:11-13; Zikmund *et al.* 2010:146). Qualitative research refers to data that is prone to less interpretation and is more likely to be exploratory in nature while employing relatively small samples but with more intense involvement by the researcher (Zikmund *et al*. 2010:134). Fossey, Harvey, McDermott and Davidson (2002:717) refer to qualitative research as a broad approach for research methodologies that define, investigate and clarify human action from the insider perspective on social contexts, without the use of statistical procedures or quantifications. It uses a method where participants in the research give explanations of their significance, knowledge and perceptions of a phenomenon. Corbin and Strauss (2008:12) elaborate that this approach enables the researcher to ascertain how meanings are established for participants, in diverse contexts, where they reside. Qualitative research thus is a method of understanding how to develop complex, holistic pictures through the analysis of words and reports in detail about the views of informants to the study (Creswell 1998:15). Qualitative research emphasises ‘words rather than numbers’ in data collection and analysis (Bryman 2012:380).

Zikmund (2003:111) regards quantitative research as being useful during the determining of quantity or explaining of a phenomenon in a numerical manner. During this stage numbers are set out in a meaningful and orderly way. Quantitative research’s main objective is to expose and emphasise the relationship between the independent and dependent variables in a population (Hopkins 2002). Quantitative research requires the use of a large sample to ensure that the findings are taken to be true for an entire population and then ensure that statistical analysis is undertaken.

Given the nature of the problem statement in this study, the positivistic paradigm seems most appropriate to gauge the opinions (perceptions) of respondents of the low income consumers and the under-banked consumers. Therefore, quantitative research and its associated data collection and data analysis methodologies are suitable means of addressing the research objectives and testing hypotheses as stated in the study. It is necessary for the researcher to make decisions regarding the population, sample frame and sample during the early stages of research.

1.6.3 SAMPLING

A population refers to any complete group of people or institutions sharing a set of characteristics or interest in the investigation (Zikmund 2003:369; Dahlberg & McCaig 2010:173). The population with regard to this study will consist of low income and under-banked consumers in the NMB.

Zikmund (2003:373) refers to a sample frame as a list of items from which a sample can be drawn. In this study, no sample frame will be used because it will be impossible and time consuming beyond the time limits of this study to develop a data base with names of possible respondents.

According to Zikmund *et al.* (2010:425) sampling refers to a small representative section of the identified population. There are two types of sampling methods, probability sampling and non-probability sampling. A probability sampling is a sampling method that involves some random-selection mechanism (Babbie & Mouton 2010:175). A non-probability sampling refers to a method that relies on the researchers' personal experience, convenience, judgement and other elements to select a unit from sample frame (Zikmund *et al.* 2010:404). The non-probability sampling method will be used in this study because of the inability to obtain access to all persons in the population (Cooper & Schindler 2011:369). The study will adopt convenience sampling and snowball sampling techniques to choose a sample. Convenience sampling is described as the selection of a sample based on availability and convenience (Gray 2009:153; Zikmund *et al*. 2010:394). Gray (2009:153) and Zikmund *et al*. (2010:394) refer to snowball sampling as selecting a number of sample members from the population that in turn identifies other sample members from population.

The respondents in the NMB will be selected using convenience and snowball sampling methods and the target sample will be low income and under-banked consumers. Certain professions will be identified as representing low income and under-banked consumers constituting the sample that can be researched by the researcher. Low income and under-banked consumers will be limited to the respondent employed in certain professions such as baker, car guard, cleaner, domestic worker to name a few. Once sampling techniques are identified decisions needs to be made about data collection.

1.6.4 DATA COLLECTION AND ANALYSIS

Both secondary sources of data and primary source will be used to ensure the objectives of the study are attained. The difference between the two sources of data is mainly the method used to collect data.

Secondary data consists of all data that has been previously collected by other researchers for a different purpose. This data is then made available to other researchers in order to understand their own research problems (Lamb, Hair, McDaniel, Boshoff & Terblanche 2008:151). To develop a literature view and theoretical framework for this study, various types of secondary sources are consulted. These include academic journal articles, newspaper articles, the internet and textbooks found through the Nelson Mandela Metropolitan University (NMMU) library. Furthermore, secondary data was collected to assist in the design of the research instrument.

Burt, Barber and Rigby (2009:18) describe primary data as raw data obtained to answer specific research questions. After consulting secondary sources for secondary data, the researchers focus on primary data. This type of research is necessary for obtaining the relevant findings. Primary data will be collected to achieve the primary objective of the study. The data will be done by means of the research instrument. The research instrument that was used in this study was a questionnaire.

The questionnaire consisted of three sections A, B and C. A five-point Likert-type scale was used as a means of collecting data to show a respondent's level of agreement or disagreement with the statements set out in the questionnaire. The options of the five-point Likert scale range from strongly disagree, disagree, neutral, agree and strongly agree.

Section A consists of the general information of respondents. In this section, a nominal scale was utilised to collect information about the respondent and analyse the data. The information included the gender and ethnicity, age, language, channels of receiving and sending money, source of income and profession of respondents.

Section B used a nominal scale to ascertain the level of awareness of banking product and services. The columns are coded from 1 to 3. The first column implies the respondents are aware/use the financial product/service, the second column implies the respondents are not aware/do not use the financial product/service and the third column implies the respondents are not willing to indicate if they are aware/use the financial product/service.

Section C utilises a five-point Likert scale ranging from strongly disagree, disagree, neutral, agree to strongly agree on the perception regarding the factors affecting the usage of bank products and services. This section consists of statements that measure factors such as; *Financial Awareness, Trust, Fees, Simplicity, Usage* and *Appropriateness* of banking products and services.

Quantitative data collection from the above sources was processed by means of statistical analysis procedures. Data capturing was achieved using Microsoft Excel spreadsheet software and data was categorised according to the various variables. The variables were further analysed by calculating, means and mode, standard deviations, frequency and percentages. This processed data served to answer the researcher's questions by investigating and gauging the magnitude of the relationship between independent and dependent variables. Validity and reliability will make sure that the research instrument meets the essential criteria to ensure the instruments applicable for the purpose of this study.

According to Zikmund (2003:302) and Gray (2009:155) validity refers to the degree to which the questionnaire measures what it is intended to measure. There are many types of validity: namely, content, construct and criterion. Content validity is the degree to which a measure covers the variety of meanings included in the concept (Babbie & Mouton 2010:123). Construct validity is assessing what the questions are measuring (Zikmund *et al*. 2010:307) and focuses on measuring abstract concepts (Gray 2009:157). Criterion validity is measuring whether the research instrument performs as expected when compared to a meaningful criterion (Zikmund *et al*. 2010:308). According to Gray (2009:157), criterion validity is comparing how respondents have answered a new measure of a concept with accepted measures of the same concept.

Content validity was used in this study and experts were consulted to ensure that the items identified were measuring the independent and the dependent variables. To establish construct validity of test scores an exploratory factor analysis (EFA) was used to determine whether all items relating to the independent and dependent variables of the study have been measured and whether the intended result is achieved by the researcher (Leedy 1997:32). This was done individually on each of the categories of independent variables. EFA is performed when the researcher has a set of variables and suspects that these variables are interrelated in a complex way. The data relating to the factors identified from the factor analysis were tested for reliability.

Reliability is described as consistency, dependability and reliability of a measure (Landy & Conte 2007:73) that would consist of similar samples that are researched over a specific time, and provide accurate and consistent results for the researcher. There are two types of reliability; namely, test-retest and Cronbach's Alpha. The Test-retest method deals with overseeing the same questionnaires to the same respondents at different point in time to test consistency of the research findings (Zikmund *et al*. 2010:307). Cronbach's Alpha also referred to as Coefficient Alpha, measures internal consistency by calculating the average for all possible split-half reliabilities for a construct (Zikmund *et al*. 2010:307). Reliability is tested by calculating Cronbach’s Alpha score (Bryman & Bell 2007:162-164). Internal reliability measures are used to ensure that there is continuous reliability throughout the study. For reliability the Coefficient Alpha is used to estimate the multiple-items’ scales (Zikmund *et al*. 2010:307). A Cronbach’s Alpha greater than 0.70 (Gliem & Gliem 2003:87) is usually reliable. Hair, Black, Babin, Anderson and Tatham (2006:137) agree that alpha lower than 0.6 should only be accepted in certain cases. Thus this study will accept alpha of 0.70.

Once validity and reliability has been established, descriptive and inferential statistics will be calculated. Descriptive statistics summarise a set of sample observations. According to Babbie and Mouton (2010:459) descriptive statistics are a medium of describing quantitative data in manageable forms. In this study descriptive statistics such as mean and mode (measuring central tendency), standard deviation (measuring dispersion) frequency and percentages (Zikmund 2003:583; Gray 2009:462-465) were calculated.

According to Zikmund *et al.* (2010:559) a correlation coefficient is a statistical measure of covariance, or association, between two at-least interval variables. A correlation matrix is a standard form for reporting correlation coefficients among several variables (Babbie & Mouton 2010:464).

The correlation coefficient ranges from −1 to 1. A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all data points lying on a line for which Y increases as X increases. A value of −1 implies that all data points lie on a line for which Y decreases as X increases. A value of 0 implies that there is no linear correlation between the variables (Struwig & Stead 2013:168). This was used to measure the correlations between independent and dependent variable.

According to Struwig and Stead (2013:168) Pearson product moment correlation is used to determine both variables involving continues data. The Pearson product moment correlation sometimes called the Pearson r is the most common of all correlational statistics that determine the most appropriate correlational statistics (Leedy 1989:199, Struwig & Stead 2013:148). The Person r was used to determine the strength and direction of the relationship between the two variables.

Multiple regression analysis was used to determine the relationship of the independent variables on the dependent variable. Multiple regression analysis is a dependence technique that explains the effect of multiple independent variables on the dependent variable (Babbie & Mouton 2010:466). According to Gary (2003:4) multiple regression analysis is conducted to identify whether there a significant relationship between dependent variable and one or more of the independent variables. In a regression analysis with more than one explanatory independent variable, the coefficient of determination R^2 is defined as the square of Pearson product moment correlation r (Oxford Journal 2014) and both variables involve continuous data (Leedy & Ormrod 2005:266). In this study multiple regression was conducted to analyse the relationship between *Financial Awareness, Trust, Fees, Simplicity, Appropriateness* and *Usage* of banking products and services.

1.7 PREVIOUS RESEARCH AND CONTRIBUTION OF THE STUDY

As far as it can be established limited research using a large sample size to determine the factors affecting the usage of banking products and services is available. However the phenomenon of under-banked consumers and groups has been highlighted by various authors (Joshi 2011:1; Gross *et al.* 2012:3). Some claim that simply having a bank account is not enough for an inclusive financial system; it is also essential that the banking services are sufficiently utilised (Sarma 2008:8). Others claim that some consumers hardly use their bank account to do anything other than withdraw their income (Bold *et al.* 2012:14). Mishi *et al.* (2012:11) assert that a high number of Mzansi accounts have been opened, but are underutilised. The Global Partnership for Financial Inclusion (2014:7) claims that the Mzansi account initiative in South Africa failed to encourage consumers to use the available banking products and services more extensively.

This study will add to the theoretical and empirical body of the factors that affect the usage of banking products and services by low income and under-banked consumers. This may be attributable to the fact that most investigations have been concentrated on mostly the middle and high income consumers and less on the low income and under-banked consumers. The study will therefore, broadened and contributed to the empirical body of knowledge in this area, by proposing a theoretical framework and developing a measuring instrument suitable for measuring factors that affect the usage of banking products and services by low income and under-banked consumers.

1.8 DEMARCATION OF THE STUDY

The study was undertaken among low income and under-banked consumers in the NMB. The empirical research for the proposed study focused on low income and under-banked consumers in the NMB because of the increasingly important role that these consumers play in the banking institutions. Although there are numerous factors that influence the usage of banking products and services, the focus of this study is on selected significance factors.

1.9 DEFINITION OF KEY CONCEPTS

Under-banked consumers is defines as individuals having access to a bank account, but do not make effective or minimal use of the attached benefits to the bank account (Beard 2010).

Basic financial products and services means having access to more affordable payment and purchase options to be able to send and receive money safely at a reasonable cost; obtaining and using fair and affordable credit; the ability to save part of their income securely and have accces to insurance products (Cordray 2013:23).

Usage refers to the actual use of banking products and services (Triki & Faye 2013:31). This means that consumers must also take full advantage of the benefits of having access to suitable banking products and services (The Banking Association of South Africa 2014).

Financial Awareness refers to the degree to which many consumers are aware of the benefits of using banking products and services (Anderson & Billou 2007:15).

Trust in Banks refers to the trust in banking institutions as a result of factors such as cultural norms, safety and security (Demirguc-Kunt & Klapper 2013:34).

Fees refer to the affordability of financial products and services to consumers. Fees are based on the cost that consumers are willing and/or able to pay (Anderson & Billou 2007:14) and the value (that is a function of the level of satisfaction) derived from the consumption of such financial products and services (Demirguc-Kunt & Klapper 2013:30).

Simplicity refers to the provision and use of the banking product and services provided in an easy manner, that includes the use of a simple language and channels to deliver the banking products and services (The Banking Association of South Africa 2014).

Appropriateness refers to low-income consumers as those occasionally excluded from full participation in the formal financial sector due a lack of financial education on their part or a lack of suitable financial products and services on the part of banking institutions and other financial service providers (Munusamy, Chelliah & Mun 2010:399). Banking products and services should address the needs of customers and ensure their safety and dignity (The Banking Association of South Africa 2014).

1.10 STRUCTURE OF THE STUDY

The structure of the research will be as follows:

Chapter 1: Introduction and background to the study
Chapter 1 provides the introduction and background of the study, problem statement, research objectives and research questions, a description of research design and methodology and definition of key concepts.

Chapter 2: The importance of financial inclusion in the banking sector
Chapter 2 discusses the importance of financial inclusion, financial inclusion in the banking sector.

Chapter 3: Factors affecting the usage of banking products and services
Chapter 3 focuses on the factors that affect the usage of banking products and services. It also includes comprehensive literature in which key concepts are defined.

Chapter 4: Research design and methodology

Chapter 4 mainly focuses on the research design concepts, the research methodology, research methods, and population, sampling and sampling techniques. The chapter goes further and discusses ways in which both secondary and primary data were collected; the designing of the necessary research instrument which enabled the discussing of data analysis. This is followed by measuring the reliability and viability of the research methodology.

Chapter 5: Results of empirical research

The results of empirical research are provided in this chapter. By processing these results it is then possible to provide an analysis of the survey's results. The chapter also discuss the validity and reliability of the study. A section involving preliminary data analysis follows, that consists of descriptive use of data inspection. Then, empirical results are discussed: the biographical information in section A, awareness and usage of banking products and services in section B and the factors that affect the usage of banking products and services in section C. In this chapter the exploratory factor analysis (EFA) was used to access validity on the data for item analysis. Spearman's rho correlation was used to assess relationships between the dependent and independent variables. And finally, the results of the multiple regression analysis are presented, which were also used to assess the relationship between the independent and the dependent variables

Chapter 6: Summary, conclusions and recommendations

Chapter 6 provides a summarised overview of the findings as presented from chapter 1 to chapter 5. The main conclusions are also discussed, followed by recommendations. In addition to the above-mentioned, all shortcomings of the research, along with future research proposals are briefly addressed.

CHAPTER 2

THE IMPORTANCE OF FINANCIAL INCLUSION IN THE BANKING SECTOR

2.1 INTRODUCTION

The primary objective of this study is to investigate the factors affecting the usage of banking products and services by under-banked consumers in the NMB region. The preceding chapter provided a detailed introduction and background of the topic of the study.

The purpose of this chapter is to provide the importance of financial inclusion in the banking sector. This will be done to achieve the secondary objective of the study and to provide a comprehensive discussion on the concepts of financial inclusion.

In this chapter, a comprehensive literature overview will be provided. All key concepts, including importance of financial inclusion, role of the financial sector in improving financial inclusion, the role of the banking sector in financial inclusion, financial services providers, distribution of banking products and services, strategies adopted by banking institutions, under-banked and low income consumers, will be clarified within the literature overview.

A summary of the topics covered in this chapter will be provided at the end of the chapter.

2.2 DEFINITION OF FINANCIAL INCLUSION

The term financial inclusion has been used since 1993 in relation to banking branch closure and limited access to banking products and services (Transact 2014) and was first used in 1998 to describe the phenomenon of consumers who have inadequate access to mainstream financial products and services. According to

Kumar, Manjunath and Kumar (2012:518) financial inclusion is about expanding financial products and services to include low income and under-banked consumers. Financial inclusion is dependent on, amongst others; a stable economy, a sound financial system, a strong banking sector, a well-structured regulatory framework supported by independent regulators and an informed and educated consumer base. The transformative power of financial inclusion has gained considerable interest amongst researchers, policymakers, and financial services industry stakeholders (The World Bank 2013:17).

Financial inclusion is defined as a process that ensures that all members of an economy have ease of access, availability, usage of basic financial products and services (Sarma 2008:30). It ensures access and usage of financial products and services with its main objectives being to improve the variety, excellence and accessibility of financial products and services to low income consumers (The Banking Association of South Africa 2014). According to Demirguc-Kunt and Klapper (2012:1) financial inclusion refers to the concept of increasing the number of low income consumers who have access to basic financial products and services. This means that they must have access to facilities for payments, savings, credit and insurance. Triki and Faye (2013:31) define financial access as the ability to use financial products and services, taking into consideration physical proximity, affordability, and eligibility of the consumers.

KPMG South Africa (2013) states that a lack of access to financial products and services is one of the key factors that leads to the slowdown of economic progress that is aimed at eradicating poverty and alleviating inequality. Financial inclusion thus hinges on consumers having access to financial products and services and using those financial products and services in a manner that is beneficial to them (The Banking Association of South Africa 2014). However, consumers with greater financial capabilities are needed to drive positive growth in access to diverse financial products and services by applying competitive pressure on financial services providers to improve services to ultimately increase the benefits to consumers and eliminate restrictions (Ledgerwood, Earne & Nelson 2013:4).

Financial inclusion plays a vital role in improving the lives of the consumers and growth of the economy (Gordhan 2012:3).

2.3 IMPORTANCE OF FINANCIAL INCLUSION

Access to a basic bank account and financial products and services is fundamental to an independent economic (Federal Deposit Insurance Corporation (FDIC) 2012:10). Thus, banking institutions need to do more in serving under-banked consumers of their communities. An increase in the number of financially included consumers is important for growth of home ownership, positive savings habits among low income consumers and mitigating risks with insurance products (FinMark Trust 2012). According to the World Bank (2013) financial inclusion in South Africa is important for consumers to have access to affordable basic financial products and services. It is also important to eradicate inadequate competition in the banking sector to stimulate sustained positive outcomes (The World Bank 2013).

Financial inclusion can be considered as a driver of economic growth that could possibly have an indirect effect on the reduction of poverty and inequality. It allows consumers to enjoy appropriate and affordable financial products and services that have a positive influence on consumers' welfare (Moss 2013:2). Financial inclusion connects low income consumers to the formal financial system and thus contributes to economic growth (ATISG 2010:13).

According to Sharma and Kukreja (2013:16) there are numerous objectives for an inclusive financial system, which include; a decrease in income and savings inequalities, savings through universal banking facilities and removing entry barriers to include new entrants. Financial inclusion efforts have a multiplier effect on the economy as a whole through higher savings pooled from the bottom of the pyramid (BoP) population by providing access to the formal financial system and as a result allowing for expansion in credit and investment offered by banking institutions (Khan 2012:1). Expanded financial inclusion of the BoP/under-banked population in the economy through the formal financial system could lead to improvement of consumer's financial situations and living standards, enabling them to create financial assets, generate income and become immune to financial shocks in the economy (Khan 2012:1).

2.4 ROLE OF THE FINANCIAL SECTOR IN IMPROVED FINANCIAL INCLUSION

As previously mentioned, many initiatives were introduced to increase the level of financial inclusion in South Africa; some of these include the FSC, the Mzansi account initiative, and the institution of the SASSA (Alliance for Financial Inclusion (AFI) 2012:9).

2.4.1 THE FINANCIAL SECTOR CHARTER (FSC)

The South African National Treasury launched the FSC in 2004 to ensure effective access to basic financial products and services for all and to improve the racial image in ownership. The FSC came into effect in January 2004 because of the Financial Sector Summit hosted by the National Economic Development and Labour Council (NEDLAC). The Financial Sector Summit agreed to transform the financial sector and (FSC 2013) to end the financial exclusion of the disadvantaged sectors of the South African population. According to Liberty Group Limited (2005:71) the FSC focuses on six pillars; namely human resources development, procurement and enterprise development, ownership and control, access to financial products and services, empowerment financing and corporate social investment. The aim of the FSC was the promotion of Black Economic Empowerment (BEE), primarily by making sure that the financial sector in general follows business practices that will eventually promote the financial inclusion of the previously disadvantaged (Moyo & Rohan 2006:296-297).

The aim of financial sector interventions was intended to improve the rate of financial inclusion. Consumers' lives will only improve if the financial products and services that they purchase are used efficiently and effectively to meet their needs (FinMark

Trust 2012). The FSC outlined a broad framework for the desired features of basic transactional activities and savings, but did not specify the product design. The FSC also did not set collaboration action by the banking institutions in launching the Mzansi initiative, but the major banking institutions (Absa, First National Bank, Nedbank and Standard Bank) did, with the aim of justifying perceived risk and accomplishing the bold access goals specified in the FSC (Global Partnership for Financial Inclusion (GPFI) 2014:4).

2.4.2 THE MZANSI INITIATIVE

The Mzansi account is one of the initiatives employed to entrench financial inclusion in South Africa. It was initiated in 2004 by the South African Banking Association to provide previously financially excluded South Africans with the opportunity to have a low cost, entry level bank account (AFI 2012:9; Hawkins 2009:6). The Mzansi account is a simple, safe, and affordable transactional bank account that caters for all South Africans regardless of income status. The Mzansi initiative is a co-operative undertaking between South Africa's four major banking institutions and the Post Office (GPFI 2014:5). Its aim was to bring unbanked consumers into the mainstream banking system by making it easy to open accounts and access affordable financial products and services. To meet the challenges of providing banking to all of the people of South Africa, a number of high-tech systems have had to be put in place to overcome logistical challenges. According to the National Treasury South Africa (2014:4) the main reason behind this innovative cooperation was the lack of awareness about low-income and under-banked markets amongst the four major banking institutions.

According to the National Treasury South Africa (2014:7) the Mzansi initiative was successful in helping consumers to open bank accounts, but not in promoting their effective usage thereof. The Mzansi initiative was instrumental in the banking sectors to increased understanding of this market. The World Bank (2013:25) urged banks to encourage financial service providers to apply technological innovations and focus on reducing barriers to entry by unleashing innovative cooperation among financial institutions, retail chains, and mobile operators. However, The National Treasury

South Africa (2014:7) claims that active usage and the tendency to save remains an issue that needs persistent focus and interference. To this end, the success of the Mzansi account initiative is debatable, but revealed a significant demand for banking services beyond just a low-cost product offering at the entry-level-market (FinMark Trust 2013:5).

According to FinMark Trust (2013:5) the Mzansi account is destined to becoming a social liability rather than a profit strategy for commercial banking institutions. The Mzansi initiative was aimed at providing a low cost product but did not tackle other matters faced by the entry-level market. It was positioned independently from other banking products and services since it was assumed to be for low income and under-banked consumers (The National Treasury South Africa 2014:8). The introduction of the SASSA Payment Card provided similar facilities to low income and under-banked consumers.

2.4.3 THE SOUTH AFRICA SOCIAL SECURITY AGENCY (SASSA) INITIATIVES

The SASSA Payment Card was introduced to enable access to monthly social grant payments (Zyl 2013). The social grant is deposited onto the SASSA Payment Card monthly and can be used at either a conventional Cash Pay Point, at a participating payment vendor (such as Boxer, Pick & Pay, Checkers, Shoprite, Spar) or at an ATM to withdraw funds at normal banking rates (SASSA 2012). According to the Parliamentary Monitoring Group (2013) the key priorities were to deliver quality social security services and to improve service delivery. FinMark Trust (2012:12) claims that with the implementation of the new SASSA system, more women than men are have access to banking institutions.

Pulver and Ratichek (2011:11) explain SASSA's drive was to encourage consumers to switch from direct deposit to a bank account (known as ACB payments) to overcome long queues and other challenges. The following types of social grants were implemented in South Africa, which include; Social Relief of Distress, Grants-in-aid, Child Support Grant, Foster Care Grant, Care Dependency Grant, War Veteran's Grant, Disability Grant, and Grants for Older Persons (SASSA 2014).

2.5 THE ROLE OF THE BANKING SECTOR IN FINANCIAL INCLUSION

The Banking institutions play an important role in financial inclusion as they provide financial products and services directly to consumers from all income levels. They facilitate consumers' entry into the financial system by overcoming the barriers that may have existed under exclusive financial institutions in the past. According to the Banks Act, banking institutions are required to provide banking products and services to consumers by enabling them to participate in various economic activities in the prevailing financial system.

According to the Banking Association of South Africa (2014) the FSC acknowledges that access to a basic and secure means of accessing and transferring cash for day-to-day purposes is critical; to savings accounts, a credit facility for low-income consumers, insurance products and services is essential to the development of the South African economy. However, the banking institutions are faced by many barriers to include low income and under-banked consumers.

2.5.1 BARRIERS AND ENABLERS OF FINANCIAL INCLUSION

According to Lazenby (2011:1) low income and under-banked consumers view high banking fees and charges coupled with poor financial education as significant barriers to financial inclusion. Under-banked consumers normally borrow relatively small amounts at high cost (Schoombee 2000:3); however, new technologies and simplified branch regulations extend the reach of basic financial products and services to low income and under-banked consumers.

Commercial banking institutions are unwilling to lend to low income consumers primarily because of the lack of collateral to mitigate risk and transaction costs that are attached to such activities (Schoombee 2000:3). According to Helms (2006:17) bringing financial products and services to rural low income and under-banked consumers is one of the biggest challenges in the pursuit for increasing financial inclusion.

Enablers to financial inclusion may include lowered operating and transaction costs (Schoombee 2000:3), close proximity to Automatic Teller Machines (ATMs) for rural low income and under-banked consumers (Spotong 2013), the introduction of new technologies such as Cellphone Banking (Standard Bank 2012), simplified branch regulations, and value added extensions like inContact alerts (FNB 2014) to basic financial products and services to low income and under-banked consumers.

2.6 FINANCIAL SERVICE PROVIDERS

In an inclusive financial system a range of financial service providers are vital to meet consumer demands. However a variety of financial service providers is required to achieve this (Helms 2006:35), which includes the informal to the formal sector. The informal providers range from individual providers and collective associations like moneylenders, savings collectors, pawnbrokers, traders processors, and input suppliers (Helms 2006:37-49) while the formal providers are government-owned banking institutions, private commercial banking institutions, nongovernmental organisations (NGO), microfinance institutions (MFIs) and financial cooperatives (Ledgerwood 2013:171). The formal financial institutions hold massive prospects for building an inclusive financial system. Financial institutions execute activities as granting loans, underwriting insurance and mobilising deposits through a collection of asset-human, financial and others (Ledgerwood 2013:171). Many commercials banking institutions banks are also engaged in microfinance.

2.6.1 COMMERCIAL BANKING INSTITUTIONS

Accoding to Cornett and Tehranian (2004:1) a commercial banking institution is a type of institution that provides services such as accepting deposits, making business loans, and offering basic investment products. They are not essentially dedicated to serve low income populations (Helms 2006:52) and are highly leveraged in comparison to other financial providers (Ledgerwood 2013:186). According to Cornett and Tehranian (2003:1) commercial banking institutions exist because there is a market and need for the various services they provide to sectors of the economy, for example; information services, liquidity services, transaction cost services, money supply transmission, credit allocation services, and payment services. Failure to provide these services or a breakdown in their efficient provision can be costly to households and businesses as well as to the overall economy (Cornett & Tehranian 2004:1).

Therefore, there is a genuine need to monitor performance and to impose regulations to banking institutions to affect their bank performance and market value (Cornett & Tehranian 2004:1). Banking institutions contribute to the operation and growth of the economy through various roles, including that of intermediary and provider of payment settlement facilities (FIRSTRAND 2014). According to Pagura and Kirsten (2006:2) the traditional role of banking institutions has been that of intermediary, that is, the linkage of borrowers and lenders (savers or depositors).

The South African banking system is well developed and effectively regulated, comprising a central bank (SA Reserve Bank), a few large, financially strong banking and investment institutions, and a number of smaller banking institutions. Many foreign banking and investment institutions have set up operations in South Africa over the past decade (Southafrica Info 2014). The National Payment System Act of 1998 was introduced to bring the South African financial settlement system in line with international practice on settlement systems and systematic risk management procedures (Southafrica Info 2014). The Act confers greater powers and duties on the South Africa Reserve Bank in respect of providing clearing and settlement facilities.

According to Young (2013), the South African banking sector is ahead of many developed nations in terms of its well-developed systems to facilitate the transfer of funds with minimal risk to the parties involved. The Global Competitiveness Report, 2005/06, ranks South Africa 15th out of 117 countries for the soundness of its banking institutions (FIRSTRAND 2014). The banking system ensures the efficient allocation of resources in an economy through lending to businesses and individuals using sophisticated credit scoring systems. Additionally, banking facilitates business through the settlement of funds and the provision of credit to consumers and provides 24-hour access to funds and facilities to save/invest with safety. Banking institutions must continually upgrade their technologies, banking products and services in order to facilitate economic transactions and economic growth, while maintaining its focus on the minimisation and management of risk. The government expect banking institutions to be part of the solution to address the socio-economic needs of its citizens such as the provision of banking products and services to low income and under-banked consumers and providing them with sound financial education (FIRSTRAND 2014).

Investment and merchant banking remains the most competitive front in the sector (Southafrica Info 2014), while the country's big four banks are the main banking institutions in the retail market (De Klerk, Fraser, & Fullerton 2013:46). These banking institutions limit their banking products and services to firms and salaried workers and middle-high income consumers (Ardington & Leibbrandt 2004:1).

2.7 DISTRIBUTION OF BANKING PRODUCTS AND SERVICES

Most banking institutions deploy several channels such as branches, ATMs, mobile banking, internet banking and linkage banking, to serve their customers (Bulgarea 2010:1086). Bulgarea (2010:1086) explains that a distribution channel is a particular vehicle used by banking institutions to effectively deliver banking products and services to the consumers. Many banking institutions have started to market different distribution channels and are changing from face-to-face personal service to direct sales and marketing (Kohali & Adi 2011:29). Many banking institutions are also looking to reduce costs by off-shoring, outsourcing or a combination of both by choosing between branches, ATMs and other distribution channels (Ledgerwood & Lehman 2013:275).

The main distribution channels are: branches, ATMS, Mobile banking, internet banking and linkage banking.

2.7.1 BRANCHES

According to Bulgarea (2010:1086) a branch is a location where banking institutions provide a wide variety of face-to-face services to their consumers; this is the most preferred channel for all interactions with consumers. Ledgerwood and Lehman (2013:277-278) claim that branches are expensive channels to operate; as a result, there are alternatives branches such as the specialised branches, retail, self banking branches, corporate branches and private branches, mortgage branches, banking cafes and direct mail (Bulgarea 2010:1086-1087). Ledgerwood and Lehman (2013:277-278) points out that these branches have the following functions:

- *Specialised branches* - are for individuals, small and medium size enterprises or corporate customers.
- *Retail branches* - are in shopping malls and shopping centres.
- *Self banking branches* - are for consumers who is familiar with the latest technologies and who understands electronics services.
- *Corporate branches and private* - are for consumers who uses sophisticated financial products and services.
- *Mortgage branches* - selling mortgage loans to consumers.
- *Banking cafes* - refers to partnership between the bank and a cafe that offer a full range of banking products and services.
- *Direct mail* - a promotional tool aimed at delivering the banking products and services by mail to inform and convince consumers to buy the advertised products and services.

2.7.2 AUTOMATIC TELLER MACHINE (ATM)

An ATM is a device used by banking institutions to provide basic transactions such as cash withdrawal, account balance checking and even mobile phone credit top-up, usually in easily accessible public spaces. It functions 24 hours a day without the need for human interaction (Ledgerwood & Lehman 2013:278). The steady increase in the importance of the ATM is in concert with the reduction of the branch network

(Bulgarea 2010:1087). The extension of the ATM network has helped bridge the gap created by the closure of some branches (Snellman & Viren 2009:841).

In South Africa, ATM Solutions is the biggest independent deployer of ATMs and rents machines to retailers and corporates who want the benefit of having an ATM on their premises (Napier 2010:153). ATM Solutions offers three alternatives: fully cashed ATMs, merchant-cashed ATMs and mini-cash ATMs. It offers integrated value-added services into the ATMs such as prepaid airtime and electricity purchases, account payments ranging from telephone, electrical bills, TV licences and traffic fines (Napier 2010:155). Some of these ATMs also accept deposits (Ledgerwood & Lehman 2013:278). Deploying ATMs in remote areas improves the lives of low income and under-banked consumers through easy access to cash without the drawback of long distance transport costs.

According to Spotong (2013) 33% of South Africa's population living in rural locations have access to ATMs, while 71.5% of South Africa's urban population have access to at least one banking channel in contrast to 46.8% of the rural population. Furthermore, 83% of all South Africans withdraw money from ATMs every month, proving that the use of ATMs are critical distribution channels for the majority of South Africans (Spotong 2013).

2.7.3 MOBILE BANKING

Mobile banking is defined as using mobile telecommunications services to access a bank account, credit card account, or other financial account (Cain 2009:3). Napier (2010:186) defines mobile banking as the use of mobile devices to access bank accounts, make payments and do other transactions. The provision of banking products and services by means of mobile banking solutions could catalyse the delivery of those products and services to low income and under-banked consumers (Prior & Santoma 2010:2).

Marshall (2011:2) claims that mobile financial services could be used to convert cash-based payments to electronic payments, and ultimately low income and under-banked consumers could become more active in the use of banking products and services. According to Gross *et al.* (2012:1) the increased use of mobile phone banking, coupled with the development of technologies, has the potential to change how consumers manage their personal finances. This may help foster financial access and usage of financial products and services by the under-banked consumers. Napier (2010:185) maintains that the use of mobile phones in banking transactions will significantly improve access of low-income consumers' to financial products and services because of reduced transactional cost.

According to Napier (2010:187), organisations illustrating a range of approaches adapted to mobile banking in Africa are Celpay in Democratic Republic of Congo (DRC) and Zambia, Vodafone/Safaricom (M-Pesa) in Kenya, First National Bank E-wallet and MTN Banking and Wizzit in South Africa. In South Africa Nedbank launched M-PESA, a solution that enables person-to-person money transfers via mobile phone, even between persons without bank accounts. Standard Bank has launched “Instant Money,” a joint venture between the banking institutions and local retailer Spar and it also has a joint venture company called “Oltio” between itself and pan-African mobile network operator MTN. FNB also launched its “e-Wallet” mobile money transfer solution, which allows consumers to send money to anyone in South Africa with a valid mobile phone number (Napier 2010:187).

Thus, South African mobile banking has been increasing rapidly and numerous initiatives have become known for instigating payments from mobile phones by using short messaging services (SMS) or phone calls (Lawack 2013:320). Shambare (2011:3) stipulates that the big four banks in South Africa all provide mobile phone banking services. Napier (2010:203-204) maintains that mobile banking has significant advantages because it is cheaper, flexible, does not rely on other dependencies and essentially make banking products and services accessible and more affordable to consumers.

Although the majority of South Africans use cellphones, the proportion of people using cellphone banking has only increased from 8.9 million in 2012 to 10.3 million in 2013. A further 42% of adults say that they are interested in using cellphone banking. Of those who do use cellphone banking, the vast majority are buying airtime (84%) while a relatively high proportion (54%) checks bank balances. Of those who use cellphone banking, only 15% pay bills, 12% transfer cash by means of a cellphone. This suggests that the concept of 'mobile money' does not yet have a strong uptake (FinMark Trust 2013). Internet banking has also affected the usage of banking products and services.

2.7.4 INTERNET BANKING

Helms (2006:115) view internet banking as a system that allows customers to conduct self-help banking transactions remotely. According to Safeena, Date and Kammani (2011:56) technologies such as ATMs, Tele-Banking, Internet Banking, Credit Cards and Debit Cards have emerged as efficient delivery channels for banking products and services. According to AlAbdullah, Alshammari, Alnaqeib, Jalab, Zaidan and Zaidan (2010:141-142) customers use internet banking to view their accounts, transfer funds, pay bills, cheque services, pay or purchase utilities and to do other general account administration. Bulgarea (2010:1088) concurs that internet banking facilitates payment of services and is also a means of acquiring new consumers by online applications for different financial products and services.

Most consumers prefer internet banking to other distribution channels because of simplicity, availability and customisation, although the internet is not accessible to all consumers (Bulgarea 2010:1088). Banking institutions have looked for new formats to productively expand the market and distribute their products and services due to the high competition of the banking market. According to Shambare (2011:3-4) certain factors from internet banking may apply similarly to cellphone banking adoption, which include: relative advantage, perceived compatibility, perceived complexity, trialability, perceived risk, self-efficacy, facilitating conditions (technology support).

The most significant benefit of internet banking is that consumers would be able to conduct the entire banking process from homes, with no need to stand waiting in long queues, which saves a great deal of time and energy (Yahaya 2013:1), and operates for 24 hours a day. Hence time is not scheduled as per the conventional banking institutions hours, sacrificing on professional obligations.

Banking institutions also tries to increase access and usage by linking with other organisations to expand their products and services.

2.7.5 LINKAGE BANKING

According to Napier (2010:110) linkage banking refers to how banking institutions partner with other organisations to deliver financial products and services to individuals or communities that are often difficult to reach. Pagura and Kirsten (2006:2) define financial linkage as any jointly advantageous relationship involving a formal and informal institution that results in the expansion of rural financial services. Linkages refer to a partnership between institutions in which the financial institution forms a partnership with other organisations to act on its behalf. Kirsten (2006:2) recognises two categories of financial linkages; namely, the direct financial linkages that diversify funding sources and balance liquidity shortages between institutions and the facilitating linkages where formal institutions forms a partnership with less formal institutions to operate on their behalf.

A similar initiative in South Africa is the SASSA Payment Card, which can be used either at a conventional Cash Pay Point, at a participating payment vendor (such as Boxer, Pick & Pay, Checkers, Shoprite, Spar) or at an ATM to withdraw funds at normal banking rates (SASSA 2012).

Most organisations that enter into correspondent contracts with formal institutions attain benefits such as increased access to a wider customer base, an increase in revenue, differentiation from other competitors, access to tools that help to increase consumers' fidelity and opportunities to develop new revenue bases. According to Kumar, Nair, Parsons and Urdapilleta (2006:3) the benefits to consumers include access to a simplified form of the financial system, longer business hours, greater ease in transactions by merging banking products and services with shopping, uncomplicated receipt of social benefits and travel and costs for accessing financial products and services are reduced. It has become the primary form of financial access in remote areas, where consumers would otherwise have to travel long distances to get social benefits or basic banking products and services (Kumar *et al*. 2006:3).

2.8 BANK'S STRATEGIES ADOPTED BY BANKING INSTITUTIONS

Banking institutions in South Africa have adopted multiple strategies to improve financial inclusions such as mobile banking, internet banking and linkage banking.

Absa Bank (Mybroadband 2013) aims to provide a sustained financial awareness programme aimed at shifting mindsets by providing financial access to consumers. Absa hopes to expand financial inclusion by pioneering new business models to boost the number of saving and banked consumers. It has incorporated technology for cellphones and tablet devices to enable consumers to use alternative banking channels to transact and manage their accounts remotely. Absa has pioneered Cellphone Banking Lite with over 4 million cellphone banking consumers. Useful banking products and services are being developed continuously (mybroadbank 2013) to meet the needs of consumers.

Standard Bank (2012) has launched AccessAccount, providing affordable banking products and services to South African consumers to tailor banking products and services to a wider section of the population. It started inclusive banking with the ePlan account and the Mzansi initiative. Standard Bank has reached its consumers by providing access to the financial system. The preliminary focus on building low-cost branches in more areas had a restricted chance of achievement due to setup and infrastructure costs. Standard Bank’s cellphone banking has been highly successful and financial access is expanded through its AccessPoints (Bank Shops).

First National Bank (2014) launched the eWallet mobile money transfer solution in 2009. eWallet allows anyone to send cash to anyone with a valid South African cellphone number, even if they do not have a bank account. The money is transferred instantly and can be used to withdraw cash from FNB ATMs, buy prepaid airtime or electricity, send cash to another cellphone, deposit to a bank account and more.

Nedbank (2013) aims at promoting a national culture of savings and enhanced financial awareness. MyFinancialLife™ is an online personal financial management tool that allows consumers to view and manage their finances easily. MyMoneyMap™ is another online tool targeting children and parents. It delivers client-centred banking experiences varying from short, medium or long term solutions with consistent, competitive rates and great consumer's service, including a range of savings and investment products.

Postbank (2014) is a business unit of the South African Post Office whose main function is to provide financial products and services to its consumers. It enjoys a significant share of the Mzansi consumer market. Postbank competes head-on with established commercial banking institutions by leveraging the South African Post Office's vast branch network and serves in particular in the lower market segment which the big four struggle to penetrate due to high fixed costs (GPFI 2014:5). It provides the under-or unserved sector with access to financial products and services and simple and affordable products and services (World Savings Bank Institutions 2010).

Postbank has a network of 2,600 outlets, with more than half connected to the Saswitch network which can be accessed at its counter terminals as well as from 7200 ATMs from other banking institutions. It offers its retail consumers basic transaction accounts (comes with a debit card), savings accounts and fixed term accounts (from 1 to 12 month). It extends banking products and services to low-income consumers by providing full service banking within 15 kilometres of all South Africans. An individual only needs an identity document and R10.00 - no proof of income or residence is required - to open a Mzansi account. At the end of 2010, 5 Million South Africans had opened Postbank Mzansi accounts. Postbank currently has 4.5 million Mzansi and Pension flexi accounts that represent 67% of its total account base. A large proportion of these consumers are social grant recipients (Mahlati 2011).

Capitec Bank. (Alive2green 2014) has made considerable progress in offering affordable banking and ‘banking the unbanked’. It is a minor entrant in the banking sector when compared with the big four in South Africa. Its financial products and services contribute marginally to environmental hazards; hence there is a low focus on environmental sustainability. Capitec Bank has a dedicated focus on education, youth development and consumer education on financial literacy. (Alive2green 2014).

2.9 UNDER-BANKED AND LOW INCOME CONSUMERS

Under-banked consumers are individuals who have banking transactions such as cheque cashing, money order, bill payment, remittance or borrowing but make minimal use of value added services on offer (Federal Reserve Bank of Kansas City 2010:1). Beard (2010) also defines under-banked consumers as having either a cheque or savings account, but do not make effective use of the attached benefits. A consumer who has a bank account and does use alternative financial products and services is regarded as fully banked (Gross *et al.* 2012:3). Under-banked consumers tend to hover on the fringes of the banking system and thus are not fully integrated therein. According to Sarma (2008:8) simply having a bank account is not sufficient for an inclusive financial system; it is also important that the banking products and services are effectively utilised.

Recent research conducted by First Data reveals that a significant number of under-banked consumers are employed and perceive that banking institutions cannot help them manage their income effectively or achieve their financial goals. This consumer segment provides banking institutions with the opportunity to gain new consumers through consumer-friendly, innovative financial products and services (First Data Corporation 2013:1). Under-banked consumers exhibit tendencies of relying on alternative financial institutions, such as microfinance and non-banking financial institutions, to provide financial services to fill the gap between what they need and what they receive from formal banking institutions (Beard 2010). This gap generally exists because of partial integration into the formal banking system because of high cost or either resulting from a demand or supply exclusion from certain financial products and services. For example, a consumer might not qualify for credit at a formal banking institution because of a lack of collateral, but qualify for a similar but more expensive line of credit at a microfinance institution (Beard 2010).

Under-banked and low-income consumers need a variety of financial products and services to solve a wide range of financial problems at different point in time. According to Pande, Cole, Sivasankaran, Bastian and Durlacher (2012:3), insufficient access to financial products and services is common in developing countries. This leads under-banked and low income consumers to have access, if any, only to informal financial services, such as moneylenders. Most of them use informal financial services instead of formal financial services (Napier 2010:244). Thus, under-banked and low income consumers progressively rely on informal financial institutions instead of accessing formal financial services (Birkenmaier & Watson 2005). According to the FDIC (2011) the under-banked population worldwide is estimated to comprise 51 million adults and 24 million households.

2.9.1 FINANCIAL PRODUCTS AND SERVICES NEEDED BY UNDER-BANKED AND LOW INCOME CONSUMERS

South African commercial banking institutions provide four core financial products and services to its consumers; namely payments, savings, credit, and lastly insurance (FinMark Trust 2013). According to Khan (2006:11) financial inclusion is about consumers gaining access to payments and remittance facilities, savings, loans and insurance services administered by the formal financial system.

Recent studies have shown that financial product design can have a major impact on the use by individuals of financial products and services. These financial product design features can affect both the extent, and the impact of the use by individuals, of financial products and services (The World Bank 2014:68). Cordray (2013:23) claims that the empowerment of low-income consumers through financial market access is dependent on factors such as having access to more affordable payment and purchase options, being able to send and receive cash safely at a reasonable cost; obtaining and using fair and affordable credit; and the ability to save part of their income securely.

According to Wright (2013) under-banked consumers need financial products and services that are convenient, in close proximity to them and able to operate for long hours through a distribution agent network such as ATM cards or mobile money solutions. This help low income and under-banked consumers to be more in control of their finance so that they can spend their cash for specific events (birth, marriage, death, school fees, holidays), emergencies (sickness or injury, death, loss of employment, theft), and opportunities (investing in businesses, land, or household assets) (Helms 2006:22).

2.9.2 CREDIT PRODUCTS

Banking institutions may offer various credit products such as bank loans, bank overdrafts, credit cards, hire purchase agreements, vehicle finance, mortgage loan, and revolving credit to their consumers. Certain design features of credit products aid in mitigating market imperfections and increasing inclusion (The World Bank 2014:68). According to the World Bank (2014:24) there are different types of credit products that are available to cater to a number of needs of the different segments of society. These credit options include credit cards, loans, service credit, instalment credit and revolving credit. The introduction of credit cards had a significant impact on the demand for and use of short-term formal credit (The World Bank 2014:24). Consumers may need to borrow money to buy or renovate a house, to invest in an education, or to pay for a wedding. In some parts of the world, many consumers may rely on credit cards for short-term credit (Demirguc-Kunt & Klapper 2012:36).

Low income and under-banked consumers are less likely to access affordable credit because they regularly use high-cost substitute credit products to meet their needs (Helms 2006:24). According to Cordray (2013:8-9) consumers with low incomes have numerous characteristics that exclude them from the credit market. This include the incapability to meet the criteria for bank loans since they have little, poor, or no credit history; lack of knowledge about how to correct their credit reports or improve their scores; and a general perception that the credit system is inaccessible to them (Cordray 2013:8-9).

According to Helms (2006:24) the majority of low income and under-banked consumers still lack access to formal credit products and turn to use alternatives financial services providers like microfinance. Sherbut (2009:8) contends that many low income consumers (mainly centred in the rural areas) are under-banked as the result of being perceived as non-creditworthy and without any recourse to the benefits of credit or secure deposit-taking facilities. Cordray (2013:9) claims that consumers could significantly benefit from improved access to credit reports and scores, financial awareness, and affordable financial products and services.

According to the FinMark Trust (2012:10) 13% of South African adults have credit/loan products offered by a banking institution; 13% of individuals do not have a credit/loan product from a banking institution, but have a credit/loan product from another type of formal financial institution; 3% of adults rely only on informal borrowings; 6% of the adult population do not have any credit products (formal or informal), they only borrow from family and/or friends; and 65% do not borrow.

2.9.3 SAVINGS PRODUCTS

Most consumers save to provide funds for future events (The World Bank 2014:22). According to Demirguc-Kunt and Klapper (2012:30) there are marked differences in savings methods as some use accounts at formal financial institutions while others prefer alternative methods of saving. These alternative savings methods may include community-based savings methods, such as savings clubs, which are widely used around the world as an alternative or complement to saving at a formal financial institution. These methods are commonly found in low-income markets (The World Bank 2014:22)

Commitment savings accounts, which allow individuals to deposit a certain amount and relinquish access to the cash for a period of time or until a goal has been reached, have been examined as a possible tool to boost savings by mitigating the self-control issues and family pressures to share and consume the savings (The World Bank 2014:69). Most under-banked and low income consumers want to save and strive to save (Chan 2011:5) but cannot do so effectively due to constraints such as poor spending habits, poor financial education, lack of saving strategy and over indebtedness (Helms 2006:24).

According to the FinMark Trust (2012:9), 67% of South Africans do not save; 5% keep all their savings at home (these individuals do not have or use formal or informal savings products or mechanisms), 6% rely only on informal mechanisms such as savings groups, 11% have/use other formal (non-banking) products and 11% have/use savings products from a banking institution.

2.9.4 PAYMENTS TRANSACTIONS

These payments may take the form of electronic transfers of cash between two parties, at times referred to as money transfers or transfer services (Ledgerwood & Lehman 2013:271). According to Helms (2006:26) money transfers include both domestic and international transfers and involve both a provider of the services and the service or product itself. The banking institutions may offer a variety of banking distribution channels like ATMs, mobile banking, call centres, internet banking and others to its consumers to facilitate payments (Bulgarea 2010:1086).

According to Mas and Radcliffe (2010:8) domestic payments address a key challenge for consumers living in a cash economy because cash transfers can be conducted speedily and securely. Mas and Radcliffe (2010:8) support the fact that domestic payment systems can be incorporated into consumers' existing informal savings, which offer the opportunity to bring more consumers into the financial system (Helm 2006:26). Helms (2006:119) claims that only a small percentage of these funds remain in the financial system, since many beneficiaries withdraw their cash instantly and spend it. Banking institutions facilitate payments between customers by providing payment systems that directly benefit the economy (Ledgerwood & Lehman 2013:271).

According to the FinMark Trust (2012:11), 18% of adults in South Africa either sent or received cash to or from family members, parents, and children within South Africa. In addition to this; 4% of remittance receivers, received cash from people who live outside South Africa and 7% of remittance senders sent money to people who live outside South Africa.

2.9.5 INSURANCE PRODUCTS

Insurance is crucial for managing risks. Consumers are exposed to personal risk such as life, health, property, liability and financial risk (Churchill 2013:259). In many developing economies, basic insurance products may not be as readily available, or are outside the reach of the most vulnerable households such as low income consumers. (The World Bank 2014:70)

Micro insurance is a type of insurance designed for low-income consumers (working life in figure) in which individuals, businesses, or other organisations pay a premium in exchange for guaranteed compensation for losses to protect them against all kinds of risk (Sebstad, Cohen & McGuinness 2006:5). It provides security against specific hazards including death, disability or hospitalisation (Churchill 2013:250). According to Viverita, Rianti, Sunanta and Faradynawati (2010) this insurance product has a very low premium since it is aimed at low income consumers. In the absence of insurance, low income consumers often turn to alternative resources from various sources to meet their expense although these resources usually are not enough to fully cover their financial losses (Sebstad *et al.* 2006:5).

According to the FinMark Trust (2012:11) 53% of the adult population do not have any kind of insurance product covering risk and around 30% have some formal insurance product covering potential risk, whilst a further 17% rely only on burial societies to cover the risk of death.

2.10 SUMMARY

The main objective of this chapter was to provide a concise and clear theoretical overview on the importance of financial inclusion in the banking sector.

The chapter clarify the key concepts of the study, which include; importance of financial inclusion, role of the financial sector in improving financial inclusion, the role of the banking sector in financial inclusion, financial service providers, distribution of banking products and services, banks' strategies adopted by banking institutions, under-banked and low income consumers.

Following that, the researcher established that through expanded financial inclusion in South Africa, consumers could have access to affordable financial products and services that allows formal payments, savings, credit and insurance products. Many initiatives were introduced to increase the level of financial inclusion in South Africa; some of these include the FSC, the Mzansi account initiative, and the institution of SASSA. Many authors claim that an inclusive financial system should comprise a capable and progressive network of financial service providers that are able to meet consumer financial needs. However, a wide variety of financial service providers is required to achieve this, which includes the informal to the formal financial sector. Most banking institutions deploy several distribution channels such as branches, ATMs, Mobile banking, internet banking and linkage banking, to serve their customers. Banking institutions in South Africa have adopted multiple strategies to improve financial inclusions such as mobile banking, internet banking and linkage banking. Under-banked and low income consumers need financial products and services to be more in control of their finance. Empowerment of low-income and under-banked consumers through financial market access is dependent on factors such as payment, savings, credit and insurance products

South African commercial banking institutions provide four core financial services to their consumers; namely payments, savings, credit, and lastly insurance products and services. Banking institutions may offer various credit products such as bank loans, bank overdrafts, credit cards, hire purchase agreements, vehicle finance, mortgage loan, and revolving credit to their consumers. Banking institutions offer a variety of banking distribution channels like ATMs, mobile banking, call centres, internet banking and others to its consumers to facilitate payments. Insurance is crucial for managing personal risks that consumers are exposed to such as life, health, property, liability and financial risk.

The next chapter will discuss the factors affecting the usage of banking products and services. This chapter will provide detailed information regarding potential factors affecting the usage of banking products and services by low income and under-banked consumers.

CHAPTER 3

FACTORS AFFECTING THE USAGE OF BANKING PRODUCTS AND SERVICES

3.1 INTRODUCTION

The objective of this study is to investigate the factors affecting the usage of banking products and services by under-banked consumers in the NMB region. The preceding chapter provided a detailed theoretical discussion of the importance of financial inclusion in the banking sector. Under-banked consumers have access to financial products and services than ever before but are not using these financial products and services in a way that benefits them.

Thus the purpose of this chapter is to provide a theoretical overview and to discuss the factors affecting the usage of banking products and services and clarify the theoretical framework of the study. It is surmised that the effective widespread usage of banking products and services not only promotes an inclusive society but also customers' ability to take full advantage of the benefits of having access to suitable financial products and services. One of the most pressing challenges for banking institutions is the need to address the concerns of under-banked and low-income consumers by providing them with products and services that meet their needs.

In this chapter an overview of the factors affecting the usage of banking products and services will be provided. These factors; include *Financial Awareness Trust in, Fees, Simplicity* and *Appropriateness* of banking products and services. The chapter will also point out the strategies to improve the usage of banking products and services and also role of consumer protection will be provided.

A summary on all topics covered in this chapter will be provided at the end of the chapter.

3.2 USAGE OF BANKING PRODUCTS AND SERVICES

There is a broad consensus that low income and under-banked consumers face a myriad of factors that may preclude them from having effective access and usage of financial products and services. Usage refers to the actual use of financial products and services (Triki & Faye 2013:31). According to Ledgerwood (2013:115), determining usage requires gathering details about the regularity, frequency and duration of use of financial products and services over time. The effective usage of financial products and services not only promotes an inclusive financial system but also customers' ability to take full advantage of the benefits of having access to suitable financial products and services (The Banking Association of South Africa 2014).

According to Kostov, Arun and Annim (2013:5) the usage of certain types of financial products and services may provide information about consumers' planned present and future financial goals. Savings and credit products make it easier for households to align income and expenditure patterns over time and give them the ability to deploy insurance products against unforeseen events (Beck & Brown 2011:1).

Usage of banking products and services may be influenced by a number of factors which include, financial awareness of consumers, consumer distrust in banking institutions, high banking fees, simplicity and appropriateness of banking products and services offered (Demirguc-Kunt & Klapper 2013:30; Rather & Lone 2012:2). The challenge for banking institutions is how to address the concerns of low income and under-banked consumers and provide them with banking products and services that meet their needs.

3.2.1 STRATEGIES TO IMPROVE THE USAGE OF BANKING PRODUCTS AND SERVICES

Many organisations and institutions have been working towards financial inclusion; one of the most well known organisations is the Centre for Financial Services Innovation (CFSI). According to Shahbazi (2013) the organisation creates innovative systems, products and services that benefit under-banked consumers. To accomplish better personal prosperity the South Africa’s government and financial services sector believe that consumers should have access to appropriate financial products and services. Consequently, financial services innovations are increasing, ranging from new transactional products and lending processes to marketing and distribution through non-traditional channels (Tescher 2008:3).

Beard (2010) suggests that supporting the under-banked consumers to be financially included and manage payments through the financial institutions was significant for several reasons. Firstly, establishing that the consumer has a cheque and savings account to have access to a credit facility and have a payroll cheque deposited automatically into their bank account. However, the greatest advantage is that consumers who have bank accounts will be able to avoid expensive alternative financial services like moneylenders, savings collectors, pawnbrokers, traders processors, and input suppliers (Helms 2006:37-49)

Pulver and Ratichek (2011:11) explain SASSA’s drive to encourage consumers to switch from direct deposit to a bank account (known as ACB payments) was to overcome long queues and other challenges. The decision to change depends on the consumer's time spent in queues for cash payments, perception of the risk of holding cash, nearness of bank branches, ATMs and other distribution channels and their capability to secure a low-cost account, such as the Mzansi account. SASSA noted complaints about direct-deposit payments to bank account. These included; the cost of access for recipients (such as transportation costs), the cost of bank charges for recipients, the fact that senior citizens no longer have to gather at cash pay points, the lack of training on ATMs use, and the fear of leakage (security guards at ATMs assist in carrying out transaction for a charge (Pulver & Ratichek 2011:11).

According to a FinMark (2013) survey, an additional 3.5 million people were ‘banked’ (they have banking products or services provided by a commercial banking institutions regulated by the South Africa Reserve Bank) which reflects an increase from 67% in 2012 to 75% in 2013. This increase is driven by two factors: the roll-out of the SASSA system and organic banking growth. The rollout of the SASSA card contributed 1.9 million people to the banked population in 2013. In total, about 10 million people receive social grants in South Africa (FinMark 2013). The majority (93%) of them are registered on the new SASSA system and have a bank account, where the social grant cash is paid, and a MasterCard, which can be used for payments. Government grant holders are mainly women (81%) with a personal monthly income of less than R 3 000 (82%).

There are a number of regulatory issues in Brazil to improve the use of banking products and services that may give rise to other countries copying the correspondent banking model (Kumar, Nair, Parsons, & Urdapilleta 2006:38); for instance, regulations concerning space and equipment for bank branches and conformities related to bank employees salaries. Its success in correspondent banking thus recommends an outlet for financial institutions to enhance outreach profitably to allow them to gain nearness to small and possibly higher risk consumers through a format that is friendly to all section of the population, and considerably reduced start-up investments and ongoing costs. Economies of scale allow this among these consumers in spite of low balances and profit margins from business. Development beyond simple payment services to the provision of credit and services that are more complex will remain a challenge (Kumar *et al*. 2006:38).

According to Tescher (2008:8-9) development in South Africa to take on under-banked consumers in financial services can be grouped into three types:

Products and Pathways: Financial services products, such as the Mzansi account and First National Bank’s Million-a-Month Account, are designed to address the needs of low-income consumers.
Marketing and Distribution: The retail distribution of financial products and services to consumers and creative approaches to increase the financial awareness of consumers has severely expanded the number of distribution of financial products and services through services such as Mobile banking and MiniATM.
Risk Management: The introduction of new legislation in terms of consumer credit is driving a reorganisation of short-term consumer borrowing, with a focus on risk management.

In the attempt to use financial products and services, consumers must be aware of their rights and responsibilities.

3.2.2 ROLE OF CONSUMER PROTECTION

According to the Banking Association of South Africa (2014) the Consumer Protection Act (CPA) guarantees the rights of the consumer and the responsibilities of the institution with the aim to promote fairness, openness and good business practices between institutions and consumers. The new CPA sets a high standard for the protection of consumers applying not only to contracting parties but users, receivers and beneficiaries of goods and services that is focused on low income consumers (The South African National Treasury 2011:41). The aim of the CPA was to, promote a fair, accessible and sustainable marketplace for consumer products and services, lay down norms and standards to protect consumers, prohibit certain unfair marketing and business practices, promote responsible consumer behaviour, lay down laws relating to transactions and agreements, and establish the National Consumer Commission (The Banking Association of South Africa 2014).

Brix and McKee (2010:2) identify three basic goals to protecting low-income consumers in the financial market: transparency (consumers need to know what they are getting), fair treatment (consumers are treated fairly and are not sold inappropriate/harmful financial products and services) and effective recourse (consumer complaints are resolved fairly). Thus, consumers need to be treated fairly, the relevant information must be disclosed to them, and recourse for their complaints must be available when using banking products and services (Staschen & Nelson 2013:75). According to Ananth (2012) the Andhra Pradesh Government, prohibited a complete sector of microfinance institutions from carrying out their business through legislative action in October 2010 to stop aggressive collection practices levelled against low-income consumers.

However, innovation in financial products and services is not always advantageous to consumers. According to Cordray (2013:38-39) lots of innovation in financial products and services is detrimental to consumers, as a range of new financial products, new ways of delivering products, new ways of delivering money to consumers, leaves them in more disadvantaged position than they were.

Rutledge (2010:4) maintains that consumer protection make sure that consumers or institutions are able to keep the privacy of their personal information, obtain information that will allow them to make informed decisions, are not subject to unfair and misleading practices, and have access to alternative mechanism. According to the World Bank, (2009:8) Consumer Protection Institutions should ensure clear consumer protection rules concerning financial products and services, Regulated by the law, prudential supervision and consumer protection are essential. The South African government should develop and monitor the financial system and ensure that all financial institutions are licensed, and supervised by suitable prudential or market-conduct regulators, and that the judicial system should offer credibility to the enforcement of the rules (World Bank 2009:8).

3.3 FACTORS AFFECTING THE USAGE OF BANKING PRODUCTS AND SERVICES

All consumers face complex financial transactions periodically and have to use sophisticated techniques to manage their finances. The assumption that consumers that operate in the informal financial systems cannot function as efficiently in the formal financial system is a fallacy because there is a marked difference between access and use (Demirguc-Kunt & Klapper 2012:4). Usage refers to the actual use of financial products and services and may be influenced by consumer behaviour, financial awareness, geographical distance between and banking institutions, consumer distrust in banking institutions, high banking fees, simplicity and appropriateness of banking products offered or available (Rather & Lone 2012:2).

3.3.1 FINANCIAL AWARENESS

Financial awareness of the benefits of financial products and services is one of the major factors in the success of financial inclusion (Rather & Lone 2012:2) and may be used as a reference to the degree to which many consumers are unaware of the benefits of financial products and services (Anderson & Billou 2007:15). According to Hung, Parker and Yoong (2009:3) frequent use of financial products and services promotes higher levels of financial awareness among consumers, which aids in making informed financial decisions underpinned by an increasingly intimate knowledge of financial concepts.

Ghalib and Hailu (2009:3) claim that financial awareness helps future users to benefit from high quality financial information, instruction and advice to benefit and better their usage of financial products and services. The expanded ability and confidence accrued enable consumers to make informed decisions and take calculated risks. Consumers' day-to-day cash management, ability to save for long-term goals and become financially independent at retirement are influenced by their level of financial awareness which leads to better usage of products and services that enable consumers to meet their needs (Struwig, Roberts, & Gordon 2013:1). Ghalib and Hailu (2009:3) claim that in the interest of raising financial awareness of consumers banking institutions could take advantage from encouraging marketing campaigns or opening information centres, either individually or with pooled resources.

According to Struwig, Roberts, and Gordon (2013:39) the most common banking product of which South Africans are aware of is a saving account, mentioned by 86% of the population in 2012 an ATM card (78%) and the Mzansi account (69%) follow this. Other products that were familiar to more than half of the adult population were credit cards (61%), current or cheque accounts (55%), post office savings accounts (53%) and debit cards (52%). However, there is a general discrepancy between the knowledge of banking products and the holding of such products – for example, over 70% of the population had heard of the Mzansi account but only 10% held one and 23% indicated that they possessed none of the banking products listed (Struwig, Roberts & Gordon 2013:39).

The lack of financial awareness has taken a heavy toll on consumers' financial situations. According to Ndzamela (2014) South Africans suffer from over-indebtedness due to this, with unscrupulous financial services providers who offer financial products and services that do not meet the needs of or benefit the consumer. Moreover, it is estimated that 67% of adult South Africans do not save, and about 9.6 million (about 47%) of the 20.2 million credit-active customers have impaired credit records. However banking institutions have introduced many education programmes to improve financial awareness of consumers.

The Nedbank Group (2008) claims to be aware of the need for effective financial education among South African consumers and reports that it has reached over 25 000 learners countrywide through their participation in the Teach Children to Save South Africa initiative. This initiative aims to teach children that saving is the best way to achieve goals in life and that budgeting helps to determine how much of income can be saved. Various types of accounts are proposed as safe vehicles for saving. The aims of the project was to raise financial awareness about the benefits of savings, medium and long term financial planning and the role that banking institutions play in creating a financially literate society.

Absa Bank offers a face-to-face engagement, partly initiated through the Teach Children to Save initiative, by working with suppliers that use accredited training materials and educational aids such as industrial theatre and money boxes. The banking institution also runs a number of awareness campaigns on its own digital channels, as well as on various other television and radio channels (Ndzamela 2014).

FNB has a programme entitled the “Be Financially Smart Programme”, which is aimed at educating consumers on financial matters via radio, online, face-to-face and digital platforms, FNB claims to have educated more than 200 000 people since the programme started in 2006 (Ndzamela 2014).

Standard Bank (2013) provides financial literacy interventions through face-to-face interactions and in 2013, launched a radio campaign to increase financial awareness. They also claim to have introduced amongst others, community-based workshops to deliver a personal financial management programme, the Winning

Teams Programme, the Teach Children to Save initiative and a financial literacy awareness campaign using community-based radio.

3.3.2 DISTRUST IN BANKING INSTITUTIONS

Shankar (2013:63-64) highlighted psychological factors, due to negative experiences or negative perceptions, and cultural influences as likely causes of the distrust of banking institutions and other financial service providers. According to Demirguc-Kunt and Klapper (2013:34), distrust in banking institutions could be as a result of cultural norms, discrimination against certain population groups, or past episodes of government expropriation of banking institutions. According to Martínez, Hidalgo and Tuesta (2013:13) some consumers may prefer informal financial institutions instead of formal institutions because of distrust and the fear of difficulty in accessing formal banking products and services. The intricacy of trust according to Dass and Pal (2011:7) in the case of under-banked consumer is found to be two folds: the trust of people on technology and second, the financial products and service on offer by banking institutions.

According to Coetzer and Pascarel (2012:18), establishing trust could be through so-called "non-threatening transactions" such as balance enquiries, account information, or through intra-account transfers with sales agents, as they carry out the first and most determining non-threatening transaction. Consumers' trust can be attained by using mobile banking channels considering that most of them live far from the traditional banking channels (Coetzer & Pascarel 2012:18). Low income consumers may be suspicious of conducting banking transactions over certain distribution channels, possibly because some consumers have been victims.

3.3.3 FEES OF BANKING PRODUCTS AND SERVICES

The level of affordability of financial services is crucial to making financial products and services readily accessible to low income consumers (KPMG South Africa 2013). The measure of affordability of these products and services is related to the fees that consumers are willing and/or able to pay (Anderson & Billou 2007:14) and the value (that is a function of the level of satisfaction) derived from the consumption of such financial products and services (Demirguc-Kunt & Klapper 2013:30). According to the Banking Association of South Africa (2013) financial institutions should decrease costs affecting consumers to bring the price of financial products and services in line with the target markets' capability to pay for them. In South Africa shareholders benefit from high bank charges at the expenses of the consumers (South Africa Financial Institutional Structure 2011).

According to Solidarity Research Institute (2013:12) alternative providers like Capitec Bank have cheapest bank charges followed by Absa and FNB. Although the big four banking institutions in South Africa have different reward schemes such as FNB's eBucks, Absa's Rewards, Standard Bank's uCount and Nedbank's Greenbacks, which could be of great use to some consumers, other consumers still get little or no benefits from receiving them.

The cost of dealing with a high number of accounts with a low volume of financial transactions was cited as a major reason for excluding low-income consumers in the past. Banks, instead, have tended to focus on servicing middle- to high- income earners, and international banking institutions in particular being the most exclusive (Boateng 2013:21).

3.3.4 APPROPRIATENESS OF BANKING PRODUCTS AND SERVICES

Low-income consumers are occasionally excluded from full participation in the formal financial sector due to a lack of financial education on their part or a lack of suitable financial products and services on the part of banking institutions and other financial service providers. Research however, increasingly shows that low income consumers demand access to a range of financial products and services beyond savings and credit, including insurance and retirement products (Boateng 2013:17).

According to the Banking Association of South Africa (2014), financial products and services should ensure that consumer's needs are addressed and ensure their security and dignity, taking into consideration their regulatory and language barriers.

Financial service providers should be obliged to determine the consumer's experience and knowledge of the type of financial product and service to be provided before carrying out a transaction for a consumer (FinMark 2012:16). Moreover, if the transaction is being regarded as inappropriate, they should warn the consumer.

3.3.5 SIMPLICITY OF BANKING PRODUCTS AND SERVICES

Consumers prefer financial products and services that are easy to understand. According to Javid (2013:5) financial products and services need to be clearly identifiable, considerably simple for consumers to use and standardised so that they easily meet consumers' basic financial needs. According to the Banking Association of South Africa (2013) simplicity refers to the provision and use of the financial product and services in an easy manner, that includes the use of a simple language and channels to deliver the financial products and services.

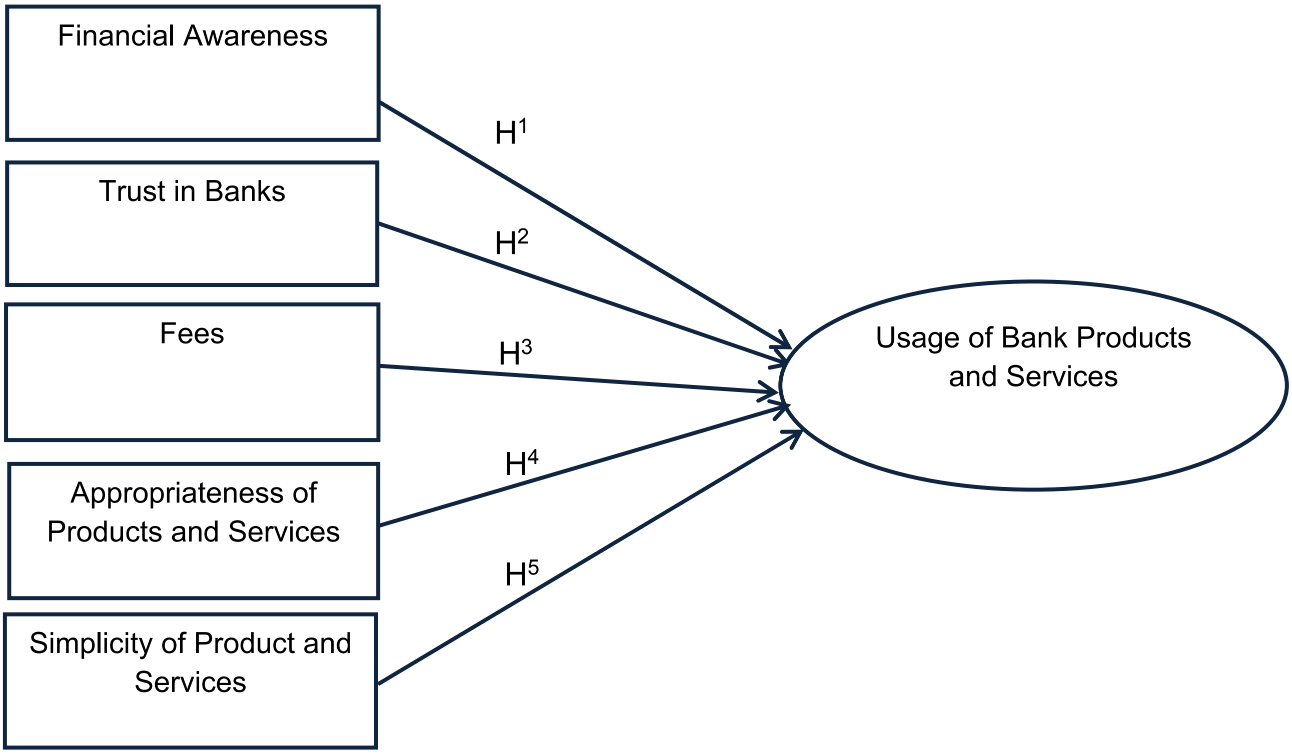
In the next section the theoretical framework and hypothesis, which will be tested empirically, will be discussed.

3.4 THEORETICAL FRAMEWORK AND HYPOTHESIS

Figure 3.1 below identifies the variables from the framework of the study which have been compartmentalised into two groups; namely the independent variables and the dependent variable. According to Zikmund *et al.* (2010:120) independent variables refer to variables that are expected to influence the dependent variable. The dependent variable refers to a variable that is explained by another variable; namely the independent variables. For the purpose of this study, independent variables are; *Financial Awareness, Trust in banks, Fees, Simplicity* and A*ppropriateness* of banking products and services.

The relationships between these variables are modelled based on findings in the literature review and explain the relationships between the independent and the dependent variables.

FIGURE 3.1: THEORETICAL FRAMEWORK



(Source: Researcher's own construction)

Based on the theoretical framework (Figure 3.1), a set of hypotheses can be formulated as authenticated by secondary sources (literature). According to Babbie and Mouton (2010:643) hypotheses are statements that assume that a certain relationships exist between two or more variables. These sets of hypotheses will be tested empirically by collecting primary data and adopting suitable statistical techniques to analyse the data.

H^1: There is a significant positive relationship between *Financial Awareness* and the *Usage of* banking products and services.

H^2: There is a significant positive relationship between *Trust* and the *Usage* of banking products and services.

H^3: There is a significant positive relationship between *Fees* and *Usage* of bank products and services.

H^4: There is a significant positive relationship between S*implicity* and the U*sage* of bank products and services

H[5]: There is a positive relationship between *Appropriateness* and the *Usage* of bank products and services.

3.5 SUMMARY

The main objective of this chapter was to provide a concise and clear theoretical overview on the factors that affect the usage of banking products and services.

The key concepts of the study were clarified. These include the usage of banking products and services, the factors affecting the use of banking products and services and the theoretical framework to identify the various topics discussed within the chapter and to ensure better understanding of key concepts.

The literature review presented proved that having a bank account does not indicate a state of financial inclusiveness. Many researchers claim that it is essential that the banking products and services on offer be effectively utilised. It has been established that many organisations and institutions have been working towards achieving a state of universal financial inclusion. The most well-known among these organisations is the CFSI. There were, however, indications that some innovations in financial products and services were not always advantageous to consumers. The onus is, however, on the banking institutions to try and resolve the problem and produce solutions that will be useful to the financial service provider and its consumers. The researcher further discussed the factors that affect the usage of banking products and services. The assumption that consumers, who operate in the informal financial systems, cannot function as efficiently in the formal financial system is a myth because there is a marked difference between access and use and merely having access to formal systems does not guarantee effective use of such systems. The researcher was also able to formulate a set of hypotheses from the literature overview.

The next chapter will discuss the research design and methodology to provide findings of the study and how the primary and secondary objectives will be obtained to conclude the study.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

The objective of this study was to investigate the factors that affect the usage of banking products and services by under-banked consumers in the NMB region. The preceding chapters provided a detailed theoretical discussion on financial inclusion and the factors influencing the use of banking products and services. This was done to achieve the secondary objectives as outlined in chapter 1.

The next step was to present an overview of the methodology that guides the study. This chapter provided a theoretical background to the research methodology adopted in the study and discussed the best alternative to achieve the primary objectives of the study. This chapter thus served to provide the research design and methodology to achieve the primary objective of the study.

The chapter covered topics on the research design; the research methodology used which includes quantitative and qualitative research. It is important to note that the research approach for this study was quantitative. This chapter explained the research method used to undertake the research and how the primary and secondary objectives of the study were attained in order to complete the study. The chapter also focused on the sample population, the data collection method used and the measuring instrument used. This chapter also included a section on how the data collected by means of a questionnaire were analysed. Inferential statistics was used to reach conclusions on the findings of the study. Lastly, the validity and reliability of the measuring instrument was discussed as per the study.

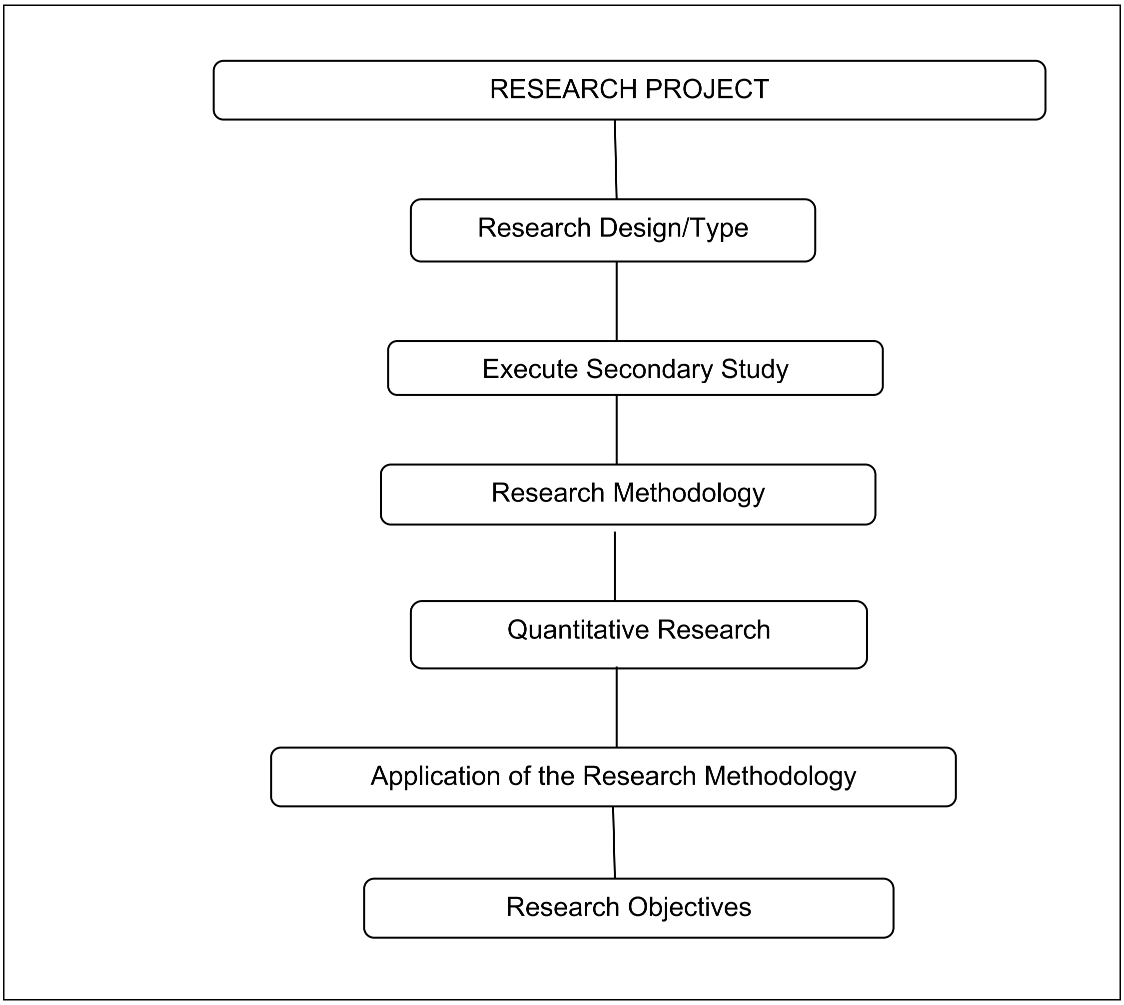
4.2 RESEARCH DESIGN

Research design involves the examining of the methodology and is best used to maximise researchers' limited resources (Cooper & Schindler 2008:140) in order to receive answers to the proposed research questions. According to Collis and Hussey (2003:113) it is the science and art of planning procedures for conducting research so as to achieve the most suitable results. The planning is the overall organisation and gives a detailed plan of the research (Blumberg *et al.* 2008:195). The research design gives a detailed plan which can be used to guide and focus the research (Collis & Hussey 2003:113). It provides the researcher with information on how to fulfil the objectives and how the research questions should be answered. (Blumberg, *et al.* 2005:64).

Research design selection may be confounded by the availability of a large variety of methods, techniques, procedures, protocols and sampling plans (Blumberg *et al.* 2008:69), because researchers may be able to achieve greater insight by using diverse methodologies rather than following the most frequent method discussed in the literature or suggested by a disciplinary bias.

Figure 4.1 below illustrates the process on which the research design for this study was based. The research design is merely a plan of how the researcher intended to go about conducting the research. The research design is of great use when conducting studies to ensure validity and reliability of findings.

FIGURE 4.1: THE CONCEPTUAL MODEL FOR RESEARCH DESIGN OBJECTIVES



(Source: Researcher's own construction)

As illustrated in Figure 4.1 research design usually starts with the research paradigm.

4.3 RESEARCH PARADIGMS

There are two main research paradigms or philosophies under consideration when conducting research; namely a phenomenological paradigm and the positivistic paradigm (Collis & Hussey 2003:47).

The phenomenological paradigm is a philosophical approach which is based on how human experiences are shape by the relationship they have with the physical environment (Zikmund *et al.* 2010:137). It traditionally emphasises the basic differences and bio-medical analogy between human subjects and natural phenomena (Babbie & Mouton 2010:28). According to O'leary (2010:120) phenomenological studies are highly dependent on individuals either through interviews or cultural products, constructs and phenomena. O'leary (2010:121) maintains that a phenomenological study is to produce descriptions that allow others to share in how a particular phenomenon is experienced.

On the other hand, the positivistic paradigm is founded on the belief that human behavioural studies should be conducted in the same way as studies in the natural sciences (Babbie & Mouton 2010:22). Positivistic paradigms include numerous beliefs about how a researcher can make sense to others. This belief is based on the assumption that social reality is independent of research objectives and exists regardless of whether the researchers are aware of it or not. When using positivistic research methodologies, the act of investigating reality has no effect on the reality itself (Collis & Hussey 2003:52).

Researchers that usually follow a phenomenological paradigm usually adopt a qualitative research approach (O'leary 2010:120; Zikmund *et al.* 2010:137) while researchers (Babbie & Mouton 2010:22; Collis & Hussey 2003:52) who follow a positivistic paradigm usually adopt a quantitative research approach.

4.4 RESEARCH APPROACH

Qualitative research refers to a study that is prone to less interpretation and is more likely to be exploratory in nature while employing relatively small samples but with more intense involvement by the researcher (Zikmund *et al*. 2010:134). Qualitative research is more complex in nature as it uses non-numerical data that may include text, visual and/or oral data (Struwig & Stead 2001:11-13; Zikmund *et al.* 2010:146). Fossey *et al*. (2002:717) refer to qualitative research as a broad approach for research methodologies that investigate and clarify human action from the respondent's perspective on social contexts, without the use of advanced statistical procedures or quantifications. It uses a method where participants in the research explain their significances, knowledge, and perceptions of a particular phenomenon. Corbin and Strauss (2008:12) maintain that this approach enables the researcher to ascertain how participants in diverse contexts establish meanings of a phenomenon.

Qualitative research focuses on phenomena that occur in the real world and involve studying those phenomena in all their difficulty (Leedy & Ormrod 2005:133). It emphasises 'words rather than quantification' in data collection and analysis (Bryman 2012:380). According to Collis and Hussey (2003:13) one advantage of a qualitative research method is that it is more subjective and involves examining and reflecting an individual's perceptions and one disadvantage is that it is highly biased as it uses a small sample.

In contrast, quantitative studies rely on the quantitative information that includes numbers and figures (Blumberg *et al.* 2008:192). According to Zikmund *et al*. (2010:146) quantitative data is data that explains a phenomenon in an orderly and meaningful way. Quantitative research uses quantity or numerical data to explain a phenomenon (Zikmund 2003:111). Quantitative research aims to expose and emphasise the relationship between the independent and dependent variables in a population (Hopkins 2002). Quantitative research requires the use of a large sample to ensure that the findings are taken to be true for an entire population and ensure that statistical analysis is undertaken.

Quantitative research allows the researcher to determine if a specific type of treatment influences a certain type of outcome entirely or not. Quantitative research involves obtaining data from relatively large numbers of respondents who have been sampled in a rigorous manner in the form of a questionnaire.

Table 4.1 identifies some of the main differences between qualitative and quantitative research.

TABLE 4.1: DIFFERENCES BETWEEN QUALITATIVE AND QUANTITATIVE RESEARCH METHODS

Quantitative Approach	Qualitative Approach
Collect quantitative data	Collect qualitative data
More useful for testing	More useful for discovering
Provides summary information on many characteristics	Provides in-depth information on few characteristics
Useful in tracking trends	Discovers hidden motivations and values
More structured data collection techniques and objective ratings	More unstructured data collection techniques requiring subjective interpretation
Higher concern for representatives	Less concern for representatives
Emphasis on achieving reliability and validity of measure used	Emphasis on the trustworthiness of respondents
Relatively short interviews	Relatively long interviews
Large samples (over 50)	Small sample (1-50)
Results relatively objective	Results relatively subjective
Research conducted in a controlled setting	Research conducted in the natural setting of the respondent
Focused on the outcome of the research	Focused on the process of the research
The respondents' perspective is not valued	The respondents' perspective is highly valued
Primary aim is to formulate statistical data that explains and predicts actions and events	Primary aim is to formulate comprehensive descriptions and understanding of actions and events
Results are generalised to a theoretical population	Results are context specific
Deductive approach - explanation of hypotheses and theories	Inductive approach - generation of new hypotheses and theories
Researcher is not directly involved in the process of data collection	Researcher is directly involved in the process of data collection
Objective in nature	Subjective in nature

Source: (Hair, Money, Samouel & Page 2007:152; Neuman 2006:54-59; Yin 2003:42-48)

As illustrated by table 4.1, one of the most important differences between quantitative and qualitative research is that quantitative methods provide the researcher with summarised data on many characteristics while qualitative research provides in-depth data on a few characteristics of the respondents.

4.4.1 RESEARCH METHODOLOGY ADOPTED IN THIS STUDY

A quantitative research approach was adopted in this study. Quantitative research fits the nature of the problem statement and research objectives since it requires the use of large samples using numerical data. The positivistic research paradigm, data collection and data analysis methodologies are suitable means of addressing the research objectives and testing hypotheses as stated in the study. The qualitative research approach does not fit our primary objectives because it uses research design and therefore was not adopted in this study. Following this discussion was data collection and sampling.

4.5 DATA COLLECTION AND SAMPLING

Both secondary sources of data and primary sources were used to achieve the objectives of the study. The dissimilarity amidst the two sources of data is mainly the method used to collect data.

4.5.1 SECONDARY DATA

Secondary data consists of all data that has been previously collected by other researchers for diverse reasons. This data is then made available to other researchers in order to understand their own research problems (Lamb *et al.* 2008:151). According to Welman and Kruger (1999:36) such a source is not a primary witness to the events, but has obtained the information either from secondary or tertiary sources that had indeed experienced it first-hand. A comprehensive literature review is conducted using secondary sources. Secondary data was used to develop a literature review on the factors that affect the usage of banking products and services and theoretical framework. This was done to develop a theoretical framework and hypothesis that can be tested empirically. The method used was to consult sources including academic journal articles, newspaper articles, the internet and textbooks found through the Nelson Mandela Metropolitan University

(NMMU) library. Secondary data was also collected to assist design of the research instrument.

4.5.2 PRIMARY DATA

After collecting secondary sources for the literature review, the researcher focused on primary data. This type of research is necessary for obtaining the relevant findings. Burt, Barber and Rigby (2009:18) describe primary data as raw data acquired to answer definite research questions. In order to collect the primary data, decisions need to be made about the population.

4.5.3 POPULATION STUDIED

A population refers to any complete group of people or institutions sharing a set characteristics or interest in the investigation (Zikmund 2003:369). According to McIntyre (2005:231) a population is also known as the "universe", which consists of a set of people, things and group that are of interest for research purposes. The population with regard to this study consisted of low income and under-banked consumers in the NMB region. The target population in this study was very large and therefore could not be covered in it's entirely. This necessitated that the researcher selected a sample that was representative of the target population. It is necessary for researchers to make decisions regarding the population, sample frame and sample during the early stages of research.

4.5.4 SAMPLE UNIT AND SAMPLING METHODS

Zikmund (2003:373) refers to a sample frame as a list of items from which a sample can be drawn. In this study, no sample frame was used because it was impossible and too time consuming, more than the duration of this study, to develop a data base with names of possible members of the population.

According to Zikmund *et al.* (2010:425) sampling refers to a small representative section of the identified population. In this study the target sample was low income and under-banked consumers in the NMB region. To identify the members of the sample, two types of sample methods may be used; probability sampling and non-probability sampling.

4.5.4.1 Probability sampling

A probability sampling is a sampling method that involves some random-selection methods (Babbie & Mouton 2010:175). Every elements of the population has a known non-zero probability of selection (Struwig & Stead 2013:118). According to Zikmund (2003:397) there are various types of probability sampling techniques which include; systematic sampling, stratified sampling, simple random sampling, multistage area sampling and cluster sampling.

4.5.4.2 Non-probability sampling

A non-probability sampling refers to a method that relies on the researchers' personal experience, convenience, judgement and other elements to select a unit from the sample frame (Zikmund *et al.* 2010:404). The advantage is that it is less difficult and more economical than probability sample (Welman & Kruger 1999:62). According to McMurray, Pace and Scott (2004:84) there are various types of non-probability sampling methods which include; convenience sampling, judgmental sampling, quota sampling and snowball sampling. The respondents in the NMB region were selected using the non-probability sampling method. The non-probability sampling method was used in this study because of the inability to obtain access to all persons in the population (Cooper & Schindler 2011:369).

Convenience sampling requires the description, identification, and selection of samples to get needed information. According to Zikmund *et al*. (2010:396) convenience sampling is described as the selection of a sample based on availability and convenience. The Business Dictionary (2014) refers to convenience sampling as a method used for drawing representative data by choosing a sample of people because of their willingness to volunteer, their availability or easy access.

Snowball sampling is of great use when the population is hidden and not easy to identify (O'leary 2010:170). Struwig and Stead (2013:118) explain that snowball sampling selects additional respondents using information from the initial respondents initially chosen using probability methods. Zikmund *et al*. (2010:398) refer to snowball sampling as selecting a number of sample members from the population which in turn identifies other sample members from the population. According to Bajpai (2010:267) snowball sampling is the selecting of respondents by using referrals from other respondents. Babbie and Mouton (2010:167) maintain that snowball sampling is suitable when it is not easy to locate the members of a specific population. One advantage of snowball sampling is that it reduced the number of the initial respondents which intent reduces cost of finding respondents (Zikmund *et al*. 2010:398).

Aron, Aron and Coups (2008:216) refer to a sample size as the number of people that are subjects in a research study. According to O'leary (2010:162) sample size depends on the shape and form of data collected, and the objectives of analysis. Once the sample is drawn, a research instrument (questionnaire) is developed. According to Neill (2008) a sample size should be large enough to yield reliable estimates of correlations among the variables and respondents. The researcher collected a sample size of a minimum of four hundred (400) questionnaires around the NMB area to obtain valid empirical results. Various professions of the respondents were used to identify as low income and under-banked consumers, and was presented in Annexure B.

Both convenience and snowball sampling was employed because it fits the purpose of this study. The advantage of these types of sampling methods is the availability and quickness with which data can be gathered. According to Cooper and Schindler (2011:369) these methods are used because of time constraints and the inability to obtain access to all persons in the population.

4.5.5 MEASURING INSTRUMENT

The measuring instrument used in this study was a questionnaire and was developed in accordance with the requirements of the study. According to Babbie and Mouton (2010:259) a self-administered questionnaire is an inexpensive method of conducting a survey and is appropriate when a large number of respondents will be surveyed. According to Struwig and Stead (2001:7) structured questionnaires are used for quantitative research as the measuring instrument, where the response options have been predestined and where a number of respondents are involved in the study. There are two types of questions used in drawing up a questionnaire, open-ended and closed-ended questions.

According to Zikmund *et al*. (2010:338) open-ended response questions are free-answer questions. They give a respondent the opportunity to give his or her own personal answer to the questions (Babbie & Mouton 2010:233) and are usually used in qualitative research.

Closed-ended questions provide respondents the option to choose from specific limited-alternative responses that are close to their own view point (Zikmund *et al*. 2010:338). Closed-ended questions were used so as to be able to conduct an effective and efficient quantitative analysis. Thus, questionnaire for this study was formulated using close-ended questions used in quantitative studies and uses numerical data.

A cover letter was used in this study to describe the objectives of the study and the type of information requested from the participants. Respondents were promised confidentiality and given instructions regarding completing the questionnaires.

The questionnaire consisted of three sections A, B and C. A five-point Likert-type scale was used as a means of collecting data to show a respondent's level of agreement or disagreement with the statements set out in the questionnaire. The options of the five-point Likert scale range from strongly disagree, disagree, neutral, agree to strongly agree. This was referred to as an ordinal scale.

Section A consists of the general information of respondents. In this section, a nominal scale was utilised to collect information about the respondent and to analyse the data. The information included the gender and ethnicity, age, language, channels of receiving and sending money, source of income and profession of respondents.

Section B uses a nominal scale to ascertain the level of awareness of banking products and services. The columns were coded from 1 to 3. The first column implies the respondents were aware/use the financial product/service, the second column implies the respondents were not aware/do not use the financial product/service and the third column implies the respondents were not willing to say if they are aware/use the financial product/service.

Section C utilises a five-point Likert scale ranging from strongly disagree, disagree, neutral, agree to strongly agree on the perception regarding the factors influencing usage of a bank account. This section consists of statements that measure factors such as; *Financial Awareness, Trust, Fees, Simplicity, Usage* and *Appropriateness* of banking products and services.

4.5.5.1 Operational definitions

An operational definition describes the operations that will be undertaken in measuring a concept (Babbie & Mouton 2010:114). According to Zikmund *et al*. (2010:295) the researcher measures concepts through a process called operationalisation. Operationalisation is the process of developing operational definitions by identifying scales that correspond to the variance in a concept to be involved in a research process (Zikmund *et al*. 2010:295).

Table 4.2 illustrates the following factors that was measured in this study, which include; *Financial Awareness, Trust, Fees, Simplicity, Usage* and *Appropriateness*.

TABLE 4.2: METHODS USED IN MEASURING CONCEPTS

Factor	Operationalisation
Financial Awareness	Refers to consumer's financial awareness of the benefits of having access to; a bank account, different banking services, different types of transactions, different banking channels and other banking products linked to their bank accounts.
Trust	Refers to the security features and relative safety of having a bank account, the security of tamper proof information systems that is kept confidential, protected by a unique pin number, and the knowledge that the bank has the best interest of the consumers at heart.
Fees	Refers to consumer's perceptions of relative affordability of the cost of different banking products and services, the cost of drawing and depositing money, the cost of inter-account transfers, and the cost of bank statements with regard to the target markets.
Simplicity	Refers to the provision and use of the financial products and services that use simple language and delivery channels, reduced learning curves, as well as easy to understand and use the financial products and services.
Usage	Refers to the actual use of financial products and services by sending and receiving money, saving, depositing, performing cashless transactions, using cell-phone banking, settling monthly expenses and gathering details about the regularity, frequency and duration of use of financial products and services over time.
Appropriateness	Refers to the nature and depth of the interaction between the consumers and financial services institutions with respect to consumers having access at different locations, banking institutions offering services that meet consumers' needs, consumers achieving financial goals and improving lifestyles by doing all transactions via the bank account and having more control over their personal financial affairs.

4.5.5.2 Administration of the measuring instrument

The potential respondents of this study were approached in person by the researcher and the field workers. Respondents who agreed to participate in the study were given their questionnaire in person and asked to complete it. Completed questionnaires were then collected by the same fieldworker, and the data was captured in an Excel spread sheet. In total 400 questionnaires were distributed. All the questionnaires returned by the respondents were examined for missing data.

4.5.5.3 Missing data

'Missing data' refers to data that is missing for some (but not all) variables and for some (but not all) cases (Allison 2003:557). The situation arises where questions in a survey are not completed, either as a result of negligence, or the respondent not being willing to disclose the information. All the questionnaires returned by the respondents were examined for missing data. The examination revealed only a few questionnaires that had missing information. Where the respondents concerned could not be contacted to obtain the outstanding information, the researcher made use of the mean-substitution approach to remedy the situation. The mean-substitution approach replaces the values that are missing from a variable with a mean value that is calculated from all the valid responses for that variable (Hair *et al.* 2006:61). This mean-substitution approach is best suited to situations where the levels of missing values are relatively low, as was the case in the current study.

4.6 DATA ANALYSIS

Data analysis entails applying reasoning to understand the data which has been collected (Zikmund *et al*. 2010:70). According to Hardy and Bryman (2009:4) data analysis entails reducing the amount of data collected to make certain that the necessary statements pertaining to the data are made. Leedy and Ormrod (2005:96) maintain that data analysis necessitates logical reasoning.

Quantitative data collection from the above sources was processed by means of statistical analysis procedures. The data capturing was achieved using Microsoft Excel spreadsheet software and data was categorised according to the various variables. The results obtained were analysed to come up with conclusions and recommendations.

4.6.1 VALIDITY OF MEASURING INSTRUMENT

Validity is concerned with true value and also considers whether methods, approaches, and techniques truly relate to what is being measured (O'leary 2010:42). According to Zikmund (2003:302) and Gray (2009:155) validity refers to the degree to which the questionnaire measures what it is intended to measure. It is the degree to which scores truthfully represent a concept (Zikmund *et al*. 2010:307). There are many types of validity; namely, content, construct and criterion validity.

Content validity is the degree to which a measure covers the variety of meanings included in the concept (Babbie & Mouton 2010:123). Leedy and Ormrod (2005:92) claim that it is often a thought when a researcher wants to measure people's accomplishment in some area. Content validity was used in this study and experts were consulted to ensure that the items identified are measuring the independent and dependent variables.

Construct validity is assessing what the questions are measuring (Zikmund *et al*. 2010:307) and focuses on measuring abstract concepts (Gray 2009:157). According to Struwig and Stead (2013:149) it identifies the degree to which the construct itself is truly measured. Construct validity was also used in this study.

Criterion validity is measuring whether the research instrument performs as expected when compared to a meaningful criterion (Zikmund *et al*. 2010:308). According to Gray (2009:157), criterion validity is comparing how respondents have answered a new measure of a concept with accepted measures of the same concept.

To establish construct validity of test scores an exploratory factor analysis (EFA) is used to determine whether all items relating to the dependent and independent variables of the study has been measured and whether the researcher (Leedy 1997:32) achieves the intended result. This was done individually on each of the categories of independent variables; namely, *Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness* of banking products and services and the dependent: *Usage.* Factor analysis is performed when the researcher has a set of variables and suspects that these variables are interrelated in a complex way. The level of interrelatedness may vary significantly and the researcher will discriminate in favour of variables that show an interrelatedness factor of at least 65%, according to a weighted scale to measure the levels of interrelatedness of the variables under scrutiny. Items that load on the factors were used to rename the factors and to develop a primary framework. Comrey and Lee (1992) offer a rough rating scale for adequate sample size in factor analysis: 50 = very poor, 100 = poor, 200 = fair, 300 = good, 500 = very good 1000+ = excellent. According to Punch (2003:42) the respondent rate refers to the selected respondents that complete the questionnaires. Punch (2003:42) states that researchers should target at least a response rate of 60 percent, although a higher response rate is better. According to Wild and Diggines (2013:238) for the sample size to test the reliability of the construct, the following guidelines may be used:

- Levels (5-point scale) multiplied by the number of items measuring the concept.
- The construct with the most number of items must be used to determine the sample size.

For the purpose of this study EFA 0.4 was accept as significant for the sample size of 400 respondents (Comrey & Lee 1992) from the NMB region with a target respondent rate of 79%.

4.6.2 RELIABILITY OF MEASURING INSTRUMENT

Reliability is described as consistency, dependability and reliability of a measure (Landy & Conte 2007:73), which would consist of similar samples that are researched over a specific time that provides accurate and consistent results for the researcher. There are various types of reliability; namely, the test-retest, Cronbach's Alpha, the split-half method, and internal consistency. The test-retest method deals with overseeing the same questionnaire to the same respondents at different point in time to test consistency of the research findings (Zikmund *et al*. 2010:307). Cronbach's Alpha also referred to as Cronbach's coefficient alpha, measures internal consistency by calculating the average for all possible split-half reliabilities for a construct (Zikmund *et al*. (2010:307). Internal consistency measures the extent to which the test items all reflect the same attribute (Struwig and Stead 2013:140). Split-half focuses on the internal consistency of the test which is split into two halves and the items are randomly allocated to each half of the test (Zikmund *et al*. 2010:306).

Reliability is tested by calculating Cronbach’s Alpha score (Bryman & Bell 2007:162-164). Internal reliability measures are used to ensure that there is continuous reliability throughout the study. For reliability the Cronbach's Alpha is used to estimate the multiple-items scales (Zikmund *et al*. 2010:307). A Cronbach’s Alpha greater than 0.70 (Gliem & Gliem 2003:87) is usually reliable. Hair *et al.* (2006:137) agree that an alpha lower than 0.6 should only be accepted in certain cases.

Validity and reliability make sure that the questionnaire measure meets the essential criteria to ensure the research instruments applicable for the purpose of this study. Descriptive statistics was used for the purpose of this study. The researcher described the scores on the test given by the respondents or information collected from different categories.

4.6.3 DESCRIPTIVE STATISTICS

Descriptive statistics summarise a set of sample observations. According to Babbie and Mouton (2010:459) descriptive statistics are a medium of describing quantitative data in manageable forms. Descriptive statistics was used to summarise the factors that affect the usage of banking products and services and the extent to which the respondent agrees or disagrees with the statements. The descriptive statistics included variability, standard deviation and frequency distribution. A frequency distribution was used to sum up the number of times a particular value of a variable occurs (Zikmund *et al*. 2010:413). The variables was further analysed by calculating percentages, means, standard deviations, and correlations (Zikmund 2003:583; Gray 2009:462-465). These sample statistics are also known as measures of central tendency.

The arithmetic mean is determined by summing up all the scores as one, and the total number (N) of scores divided by their sum (Leedy & Ormrod 2005:260-263). Data for which it's appropriate are data on interval and ratio scales and data that falls in a normal distribution.

Standard deviation is the square root of variance of distribution (Zikmund *et al*. 2010:420) and is the basis of many frequently used statistical tests for interval and ratio data (O'leary 2010:239). Data for which it is appropriate are data on interval and ratio scales and most appropriate for normally distributed data (Leedy & Ormrod 2005:260-263).

Frequency distribution is a set of data organised by summarising the frequency of the occurrence of a particular value of a variable (Zikmund *et al*. 2010:413). Percentage distribution is a frequency distribution that is organised into a table to summarise percentage values related to particular values of a variable (Zikmund *et al*. 2010:413). For this study frequency and percentage distribution was used to report the demographic information of the respondents.

4.6.4 PEARSON'S PRODUCT MOMENT CORRELATION

According to Zikmund *et al.* (2010:559) a correlation coefficient is a statistical measure of covariance, or association, between two at-least interval variables. A correlation matrix is a standard form for reporting correlation coefficients among several variables (Babbie & Mouton 2010:464). The correlation coefficient ranges from −1 to 1 and are mostly decimals (either positive or negative) somewhere between these two extremes (Leedy & Ormrod 2005:265). A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all data points lying on a line for which Y increases as X increases. A value of −1 implies that all data points lie on a line for which Y decreases as X increases. A value of 0 implies that there is no linear correlation between the variables. This will be used to measure the correlations between independent and dependent variable.

It is important to note that the Pearson product moment correlation sometimes called the Pearson r is the most common of all correlational statistics that determine the most appropriate correlational statistics (Leedy 1989:199, Struwig & Stead 2013:148). According to Struwig and Stead (2013:168) Pearson product moment correlation is used to determine both variables involving continues data. The Person r was used to determine the strength and direction of the relationship between the two variables.

4.6.5 MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis is a dependence technique that explains the effect of multiple independence variables on the dependent variable (Babbie & Mouton 2010:466). According to Laerd Statistics (2013) multiple regression analysis is an extension of simple linear regression. It is used when we want to predict the value of a variable (dependent) based on the value of two or more other variables (independent). According to Gary (2003:4) multiple regression analysis is done to know if there a significant relationship between variable Y and one or more of the predictors. In a regression analysis with more than one explanatory variable the coefficient of determination R^2 is defined as the square of the Pearson product moment correlation r (Oxfort Journal 2014) and both variables involve continuous data (Leedy & Ormrod 2005:266).

Multiple regression analysis was used to determine the relationship of the independent variables onto the dependent variable.

4.7 SUMMARY

This chapter had the objective of providing the reader with a comprehensive analysis of research methodology used for this study. The research methodology that was identified and used is the quantitative research method adopted based on the study. The quantitative research approach was adopted for this study. The population of the study consisted of low income and under-banked consumers of the NMB. A sample of four hundred (400) respondents was used for the purpose of the study.

The non-probability sampling techniques were adopted and the convenient and snowball sampling were chosen as a basis to obtain primary data from the respondents. Primary and secondary data were used in collecting the necessary information needed to finish the study. Primary data was used to collect information from low income and under-banked consumers using the self-administered closed questionnaire in the form of a survey. Secondary data established a theoretical framework of the usage of banking products and services by making use of journals, textbooks, other studies and the Google scholar search engine.

The self-administered questionnaire was formulated using closed-ended questions, and comprised of a cover letter and three sections, included in Annexure B at the end of the study. All data collected used descriptive statistics to draw results. A correlation coefficient of 0.4 was used to measure the correlations between the independent and dependent variable. In addition, Pearson's product moment correlations were used to determine the independent and dependent variables. Multiple regression analysis was used to determine the relationship of the independent variables on the dependent variable. The researcher will then able to draw interpretations, conclusions, and recommendations on the factors affecting the usage of banking products and services.

The next chapter will provide the results of the empirical study and the results on the formulated hypothesis.

CHAPTER 5

EMPIRICAL RESULTS

5.1 INTRODUCTION

The objective of this study is to investigate the factors affecting the usage of banking products and services by under-banked consumers in the NMB region. In chapter 4 the research design and methodology adopted for this study were presented.

Chapter 5 will report the empirical results of different research approaches, sample selection, as well as the statistical procedure that was adopted in chapter 4. The purpose of this chapter is to provide the empirical results of the study. The empirical results will be presented, beginning with the demographic information that consists of information related to the sample of the study. Thereafter, the findings relating to the validity and reliability will be reported, leading to a revised theoretical framework and hypotheses to be tested.

In this chapter the exploratory factor analysis (EFA) was used to assess validity on the data for item analysis. Pearson's product moment correlation was used to assess correlation between the dependent and independent variables. And finally, the results of the multiple regression analysis are presented, which were also used to assess the relationship between the independent and the dependent variables.

5.2 DATA CAPTURING AND RESPONSE RATE

This section reports the response rate of the study. The researcher collected a sample size of four hundred questionnaires (400) around the NMB area. Three hundred and fifteen (315) questionnaires were returned and only three hundred and seven (307) questionnaires were usable. Thus the response rate was 79%. Table 5.1 illustrate the response rate of the study.

TABLE 5.1: RESPONSE RATE

	Number or respondents
Number of questionnaires hand delivered	400
Total number of questionnaires returned	315
Usable questionnaire returned	307
Response rate	79%

5.3 DEMOGRAPHIC INFORMATION

Section A of the questionnaire contains demographic information relating to the sample of the study. Table 5.2 summarises the demographic data which includes information such as gender, age, race and language.

TABLE 5.2: DEMOGRAPHIC INFORMATION

Gender	Frequency	Percentage
Male	146	47.56%
Female	157	51.14%
Not willing to say	4	1.30%
Total	**307**	**100.00%**
Age	**Frequency**	**Percentage**
0<20	14	4.56%
20-29	85	27.69%
30-39	103	33.55%
40-49	58	18.89%
50-59	26	8.47%
60+	14	4.56%
Not willing to say	7	2.28%
Total	**307**	**100.00%**
Race	**Frequency**	**Percentage**
Asian	31	10.10%
Black	171	55.70%
Coloured	74	24.10%
White	26	8.47%
Not willing to say	5	1.63%
Total	**307**	**100.00%**
Language	**Frequency**	**Percentage**
English	80	26.06%
Xhosa	138	44.95%
Afrikaans	76	24.76%
Zulu	7	2.28%
Other	4	1.30%
Not willing to say	2	0.65%
Total	**307**	**100.00%**

Table 5.2 shows that the majority of the respondents were females (51.14%) while (45.56%) were males. Most of the respondents were between the ages of 30 to 39 years (33.55%), 20 to 29 years (27.69%), 40 to 49 years (18.89%), and 50 to 59 years (8.47%). This implies that banking institutions should put more emphasis about the importance of financial inclusion on consumers of the ages 30 to 39.

The majority of the respondents were black (55.70%), followed by coloured respondents (24.10%). Asian and white respondents each constituted 10.10% and 8.47% respectively. Only 1.63% of the respondents were not willing to state their race. Most of the respondents were Xhosa (44.95%) and the rest English (26.06%), Afrikaans speakers represented 24.76% and Zulu were 2.28%.

The next section will report the information related to channels of receiving and sending money. Table 5.3 summarises the channels of receiving and sending money used by the respondents.

TABLE 5.3: INFORMATION RELATED TO CHANNELS OF RECEIVING AND SENDING MONEY

	Channels of receiving money	**Frequency**	**Percentage**
1	By bank or ATM	182	59.28%
2	Supermarket money transfer	7	2.28%
3	Cell phone money	2	0.65%
4	Post Office	1	0.33%
5	By bank or ATM and supermarket money transfer	48	15.64%
6	By bank or ATM and cell phone money	23	7.49%
7	By bank or ATM, supermarket money transfer and cell phone money	17	5.54%
8	By bank or ATM, supermarket money transfer and Post Office	17	5.54%
9	Combination of all of the above	7	2.28%
10	Not willing to say	3	0.98%
11	**Total**	**307**	**100.00%**
	Channels of sending money		
1	By bank or ATM	158	51.47%
2	Supermarket money transfer	21	6.84%
3	Cell phone money	1	0.33%
4	Post Office	2	0.65%
5	Send money with relatives	1	0.33%
6	By bank or ATM and supermarket money transfer	37	12.05%
7	By bank or ATM and cell phone money	22	7.17%
8	By bank or ATM and send money with relatives	9	2.93%
9	By bank or ATM, supermarket money transfer and cell phone money	11	3.58%
10	By bank or ATM, supermarket money transfer and Post Office	18	5.86%
11	By bank or ATM, supermarket money transfer and send money with relatives	8	2.61%
12	Combination of all of the above	16	5.21%
13	Not willing to say	3	0.98%
14	**Total**	**307**	**100.00%**

Table 5.3 show that the majority of the respondents use a bank or ATM (59.29%) to receive money, about 15.64% receive money by bank, ATM and supermarkets, other respondents receive money by bank, ATM and cell phone (7.49%).

The majority of the respondents use a bank or ATM (51.47%) to send money, about 12.05% send money by bank or ATM and supermarkets, others send money by bank, ATM and cell phone (7.17%). However, (6.84%) of the respondents use supermarket money transfer, only 5.86% use a combination of bank, ATM, supermarket and Post Office, while (3.58%) use a combination of bank, ATM, supermarket and cell phone.

From table 5.3 it can be seen that the majority of the respondents use bank or ATMs to receive and send their money and very few respondents use cell phone money, the Post Office or other informal means. The next section will report the information related to source of income. Table 5.4 summarises the sources of income of the respondents.

TABLE 5.4: INFORMATION RELATED TO SOURCE OF INCOME

	Source of income	**Frequency**	**Percentage**
1	Child grant	5	1.63%
2	Salary/wages	153	49.84%
3	Piece jobs	29	9.45%
4	Old age pension	2	0.65%
5	Money from others	3	0.98%
6	Child grant and salary/wages	24	7.82%
7	Salary/wages and money from others	37	12.05%
8	Child grant, salary/wages and money from others	18	5.86%
9	Combination of all of the above	33	10.74%
10	Not willing to say	3	0.98%
11	**Total**	**307**	**100.00%**

In table 5.4, most of the respondents' source of income is salary/wages (49.84%). A total of 12.38% of the respondents indicated a combination of all of the above, 12.05% indicated salary/wages and money from others, 9.45% receive their income from piece jobs, while 7.82% indicated a child grant and salary/wages, and another 5.86% received a combination of a child grant, salary/wages and money from others. The results indicate that child grant and salary/wages (1.63%) were in the minority.

It can be noted from table 5.4 above that majority of the respondents sources of income were salary/wages followed by salary/wages and money from others, piece jobs and the minority received an old age pension. Most of the respondents have a bank account to receive their source of income but there do not make use of the advantages either because there are not financially aware or because of other factors.

5.4 AWARENESS/USAGE OF BANKING PRODUCTS/SERVICES

This section will report on the respondents' awareness and usage of banking products and services. Table 5.5 summarises respondents' awareness and usage of banking products and services.

TABLE 5.5: AWARENESS OF BANKING PRODUCTS AND SERVICES

Bank products/services	Awareness					
	Yes	%	No	%	Not willing to say	%
ATM/Debit card	296	96.4%	3	1.0%	8	2.6%
Saving account	287	93.5%	12	3.9%	8	2.6%
Mzansi account	143	46.6%	141	45.9%	23	7.5%
SASSA card	254	82.7%	36	11.7%	17	5.5%
Cell phone banking	247	80.5%	46	15.0%	14	4.6%
Funeral policy with a bank	246	80.1%	46	15.0%	15	4.9%
Current account	193	62.9%	92	30.0%	22	7.2%
Fixed deposit account	140	45.6%	140	45.6%	27	8.8%
Notice deposit account	128	41.7%	150	48.9%	29	9.4%
Personal loan from a bank	202	65.8%	81	26.4%	24	7.8%
Stop order/ debit order	129	42.0%	154	50.2%	24	7.8%
Credit card with a bank	209	68.1%	78	25.4%	20	6.5%
Overdraft facility	118	38.4%	161	52.4%	28	9.1%

From table 5.5, a large majority of the respondents are aware of ATM/debit cards (96.4%) followed by saving accounts (93.5%) and SASSA cards (82.7%). A significant number of the respondents are not aware of the overdraft facility (52.4%), stop order/debit order (50.2%), notice deposit account (48.9%), Mzansi account (45.9%) and majority of the respondents who were not willing to say if they are aware or not aware of the banking products and services was notice deposit account (9.4%).

TABLE 5.6: USAGE OF BANKING PRODUCTS AND SERVICES

Bank products/services	Usage					
	Yes	%	No	%	Not willing to say	%
ATM/Debit card	272	88.6%	5	1.6%	30	9.8%
Saving account	252	82.1%	23	7.5%	32	10.4%
Mzansi account	29	9.4%	230	74.9%	48	15.6%
SASSA card	79	25.7%	184	59.9%	44	14.3%
Cell phone banking	123	40.1%	139	45.3%	45	14.7%
Funeral policy with a bank	78	25.4%	182	59.3%	47	14.3%
Current account	35	11.4%	221	72.0%	51	16.6%
Fixed deposit account	31	10.1%	227	73.9%	49	16.0%
Notice deposit account	26	8.5%	229	74.6%	52	16.9%
Personal loan from a bank	48	15.6%	209	68.1%	50	16.3%
Stop order/ debit order	35	11.4%	223	72.6%	49	16.0%
Credit card with a bank	47	15.3%	211	68.7%	49	16.0%
Overdraft facility	17	5.5%	239	77.9%	51	16.6%

From table 5.6 below it can be seen that majority of the respondents use ATM/debit cards (88.6%), closely followed by respondents who use savings accounts (82.1%), only 40.1% use cell phone banking. However, the majority of the respondents do not use services such as overdraft facility (77.9%), Mzanzi account (74.9%), fixed deposit account (73.9%) and current account (72.0%). The majority of the respondent who were not willing to say about a notice deposit account (16.9%).

Most respondents were not aware of the various banking products and services offered by banking institutions either because there are not inform or because of other factors. Other respondents who were not willing to say might indicate some consumers are unwilling to learn about the various products and services available and the advantages of having a bank account.

The next section that follows will examine the validity and reliability of the results obtained.

5.5 VALIDITY AND RELIABILITY

An EFA was undertaken to assess the validity of the measuring instrument used in this study. Validity refers to the true value and also considers whether methods, approaches, and techniques truly relate to what is being measured (O'leary 2010:42). As a means of assessing the accuracy of the measuring instrument, the researcher tested for content validity. Zikmund *et al*. (2010:307) explain content validity as the degree to which a measure covers the breadth of the domain interest. Content validity was used in this study and experts were consulted to ensure that the items identified measured the independent and dependent variables. For the purpose of this study items that reported a loading of 0.4 or above were accepted as significant (Comrey & Lee 1992).

The reliability of a measuring instrument refers to the extent to which an indicator returns similar results (Leedy & Ormrod 2005:31). Reliability is described as consistency, dependability and reliability of a measure (Landy & Conte 2007:73), that would consist of similar samples that are researched over a specific time and provide accurate and consistent results.

In this study, the internal consistency of the measuring instrument was established using the Cronbach's Alpha coefficient of correlation (Zikmund *et al*. 2010:306). Gliem (2003:87) agrees that a Cronbach's Alpha coefficient of 0.7 or above represents acceptance reliability. Cronbach's Alpha coefficients below 0.6 are considered as poor and unacceptable (Hair *et al.* 2006:137). Therefore scales that reported Cronbach's Alpha coefficients above 0.7 were accepted as presenting good reliability for the purpose of this study.

Table 5.7 reports the results of the validity and reliability of the scale measuring the independent and the dependent variables. These variables are *Financial Awareness, Trust, Fees, Simplicity, Usage* and A*ppropriateness*. Items that loaded below 0.4 were considered irrelevant and were eliminated.

TABLE 5.7: FACTOR STRUCTURE

	Fees	Appropriateness	Trust	Simplicity	Usage	Financial Awareness
FA1	0.195467	0.151096	0.264680	0.131856	0.026863	**0.779089**
FA2	0.155820	0.190532	0.269234	0.143607	0.046190	**0.759572**
FA3	-0.016813	0.038601	0.274772	0.156607	0.032278	**0.693857**
FA4	0.073465	0.166467	0.198993	0.089932	0.055428	**0.800095**
FA5	-0.057011	0.025489	0.255262	0.119509	0.073222	**0.667740**
TR1	0.228669	0.078350	**0.870474**	0.070534	-0.028179	0.119638
TR2	0.199961	0.050228	**0.907758**	0.052647	0.020768	0.157967
TR3	0.267587	0.063526	**0.896080**	0.044620	-0.030095	0.137904
TR4	0.228268	0.116631	**0.898232**	0.021072	0.019050	0.153261
TR5	0.318947	0.040382	**0.866598**	0.064100	0.002419	0.139058
TR6	0.321014	0.045424	**0.844486**	0.089174	0.037526	0.147148
FE1	**0.869909**	0.050039	0.237815	0.000492	0.004368	0.035728
FE2	**0.897545**	-0.020574	0.217066	-0.050259	0.027610	0.012351
FE3	**0.883580**	0.059174	0.250448	0.011994	-0.049795	0.057593
FE4	**0.898726**	0.058245	0.277034	0.044956	-0.039146	0.037281
FE5	**0.893383**	-0.030663	0.233993	-0.027835	0.012732	0.060491
FE6	**0.890267**	0.032478	0.259415	0.001396	-0.000036	0.087380
SIM1	-0.051145	-0.027441	0.034545	**0.789943**	-0.043388	0.135279
SIM2	-0.037503	0.108203	0.063907	**0.851166**	0.069310	0.074789
SIM3	0.053670	0.088603	0.131526	**0.828322**	0.130272	0.065297
SIM4	0.040386	0.226039	0.097316	**0.774319**	0.072743	0.143573
SIM5	-0.046089	0.254052	0.049333	**0.691112**	0.104902	0.143940
USE1	-0.205613	0.024994	-0.046201	0.033082	**0.741811**	-0.052148
USE2	-0.040853	-0.001574	-0.067035	0.072518	**0.752211**	-0.111257
USE3	0.098750	0.170780	0.043201	0.127527	**0.787689**	0.174407
USE4	0.092705	0.209823	0.065440	0.140383	**0.731032**	0.160279
USE5	0.050137	0.261450	0.074251	0.100448	0.185117	0.116718
USE6	-0.236439	0.236923	-0.080599	-0.028660	0.254645	0.067378
USE7	-0.085885	0.388776	0.065714	-0.102354	**0.419069**	0.230945
USE8	0.002718	0.304223	0.174954	0.024162	0.162440	0.221062
APP1	-0.210987	0.339796	-0.081057	0.250741	0.101250	0.051189
APP2	0.110433	**0.749650**	0.092986	0.277493	0.054894	0.024145
APP3	0.062129	**0.899338**	0.086208	0.110549	0.036654	0.078381
APP4	-0.094564	**0.749961**	0.071146	0.002742	0.124853	0.141696
APP5	0.003865	**0.891528**	0.057840	0.061223	0.072417	0.094788
APP6	0.076821	**0.881854**	0.095316	0.109032	0.074536	0.110085
Expl.Var	**5.447818**	**4.400768**	**5.478007**	**3.456466**	**2.674231**	**3.203178**
Prp.Totl	**0.151328**	**0.122244**	**0.152167**	**0.096013**	**0.074284**	**0.088977**

Presented below are the results of the validity and reliability tests for each of the scales measuring the dependent and the independent variables.

5.5.1 DEPENDENT VARIABLE

An EFA was undertaken to assess the validity of the scale measuring the dependent variable *Usage*. The results of the analysis are shown in the tables below.

5.5.1.1 Usage

Seven items (USE1, USE2, USE3, USE4, USE5, USE6, USE7) were intended to measure *Usage* and only five (USE1, USE2, USE3, USE4, USE7) of the original items loaded together (see table 5.8).

TABLE 5.8: VALIDITY AND RELIABILITY OF USAGE

% Variance: 7%		Cronbach's Alpha: 0.757		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
USE1	I use my bank account to send money to family members/elsewhere	**0.742**	0.525	0.713
USE2	I use my bank account to receive money from family members/elsewhere	**0.752**	0.526	0.713
USE3	I use my bank account to save money that I will use in the future	**0.788**	0.667	0.665
USE4	I use my bank account to deposit money into my saving account	**0.731**	0.605	0.686
USE7	I use my bank account to settle my monthly expenses	**0.419**	0.348	0.785

Factor loadings of between 0.788 (USE3) and 0.419 (USE7) were reported for this factor. *Usage* explained 7% of the variance in the data. A Cronbach's Alpha coefficient of 0.757 was reported for *Usage*. Thus the scale measuring *Usage* was accepted as valid and reliable. On the basis of the results the operationalisation of the factor *Usage* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.5.2 INDEPENDENT VARIABLES

EFA was used to assess the validity of the independent variables; namely *Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness*. The results of the analysis are shown in the tables below.

5.5.2.1 Financial awareness

All the five items (FA1, FA2, FA3, FA4, FA5) intended to measure *Financial Awareness* loaded together as expected (see table 5.9).

TABLE 5.9: VALIDITY AND RELIABILITY OF FINANCIAL AWARENESS

% Variance: 8%		Cronbach's Alpha: 0.863		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
FA1	I am aware of the benefits of having a bank account	**0.779**	0.789	0.808
FA2	I am aware of the different banking services that I have access to	**0.760**	0.785	0.807
FA3	I am aware of types of transactions that I can perform on my bank account	**0.694**	0.616	0.857
FA4	I am aware of other banking products linked to my bank account	**0.800**	0.756	0.815
FA5	I am aware of the different banking channels available to me	**0.668**	0.552	0.866

Factor loadings of between 0.800 (FA4) and 0.668 (FA5) were reported for this factor as shown in table 5.9. *Financial awareness* explains 8% of the variance in the data. A Cronbach's Alpha of 0.863 was reported suggesting that the scale measuring this factor is reliable. As a result of the factor analysis, the operationalisation of *Financial Awareness* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.5.2.2 Trust

All six items (TR1, TR2, TR3, TR4, TR5, TR6) intended to measure *Trust* loaded together as expected (see table 5.10).

TABLE 5.10: VALIDITY AND RELIABILITY OF TRUST

% Variance: 15.2%		Cronbach's Alpha: 0.970		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
TR1	I trust the security features of my bank account	**0.870**	0.872	0.967
TR2	I trust the information concerning my bank account will not be tampered with	**0.908**	0.909	0.964
TR3	I trust my bank account is protected by my unique pin number	**0.896**	0.920	0.963
TR4	I trust that my money in my bank account is safe	**0.898**	0.917	0.963
TR5	I trust that the information about my bank account will not be supplied to others	**0.867**	0.910	0.964
TR6	I trust that my bank has my best interest at heart	**0.845**	0.885	0.966

Factor loadings of between 0.908 (TR2) and 0.845 (TR6) were reported for this factor as shown in table 5.10 *Trust* explains 15.2% of the variance in the data. A Cronbach's Alpha of 0.970 was reported suggesting that the scale measuring this factor is reliable. As a result of the factor analysis, the operationalisation of *Trust* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.5.2.3 Fees

All six items (FE1, FE2, FE3, FE4, FE5, FE6) intended to measure *Fees* loaded together as expected (see table 5.11).

TABLE 5.11: VALIDITY AND RELIABILITY OF FEES

% Variance: 15.1%		Cronbach's Alpha: 0.970		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
FE1	The number of transaction I perform on my bank account are cheap	**0.870**	0.869	0.964
FE2	The cost of drawing money from an ATM is cheap	**0.898**	0.892	0.962
FE3	My monthly bank account fee is cheap	**0.884**	0.889	0.962
FE4	It is cheap to deposit money into my bank account	**0.899**	0.912	0.960
FE5	It is cheap to transfer money from my bank account to another bank account	**0.893**	0.902	0.961
FE6	It is cheap to request my bank account statements	**0.844**	0.885	0.966

Factor loadings of between 0.899 (FE4) and 0.844 (FE6) were reported for this factor as shown in table 5.11. *Fees* explain 15.1% of the variance in the data. A Cronbach's Alpha of 0.968 was reported suggesting that the scale measuring this factor is reliable. As a result of the factor analysis, the operationalisation of *Fees* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.5.2.4 Simplicity

All six items (SIM1, SIM2, SIM3, SIM4, SIM5) intended to measure *Simplicity* loaded together as expected (see table 5.12).

TABLE 5.12: VALIDITY AND RELIABILITY OF SIMPLICITY

% Variance: 9%		Cronbach's Alpha: 0.872		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
SIM1	My bank's ATM is easy to use	**0.790**	0.612	0.867
SIM2	My bank provides information about my bank account in a way that is easy to understand	**0.851**	0.762	0.832
SIM3	My bank account channels uses a language that I can easily understand	**0.828**	0.738	0.840
SIM4	It is easy to use my bank account	**0.774**	0.761	0.829
SIM5	It takes less time to learn about my bank account	**0.691**	0.661	0.857

Factor loadings of between 0.851 (SIM2) and 0.691 (SIM5) were reported for this factor as shown in table 5.12. *Simplicity* explains 9% of the variance in the data. A Cronbach's Alpha of 0.872 was reported, suggesting that the scale measuring this factor is reliable. As a result of the factor analysis, the operationalisation of *Simplicity* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.5.2.5 Appropriateness

Six items (APP1, APP2, APP3, APP4, APP5, APP6) were intended to measure *Appropriateness,* but only five items (APP2, APP3, APP4, APP5, APP6) loaded together as expected (see table 5.13).

TABLE 5.13: VALIDITY AND RELIABILITY OF APPROPRIATENESS

% Variance: 12.2%		Cronbach's Alpha: 0.918		
Item	**Question**	**Factor loading**	**Item-total correl.**	**CA after deletion**
APP2	My bank account offers services that meets my needs	**0.750**	0.694	0.918
APP3	I am able to achieve my financial goals with my bank account	**0.900**	0.877	0.881
APP4	I can do all my transactions with my bank account	**0.750**	0.657	0.925
APP5	I am able to improve my lifestyle by using my bank account	**0.892**	0.849	0.887
APP6	My bank account gives me more control over my financial affairs	**0.882**	0.873	0.882

Factor loadings of between 0.90 (APP3) and 0.750 (APP2) were reported for this factor as shown in table 5.13. *Appropriateness* explains 12.2% of the variance in the data. A Cronbach's Alpha of 0.918 was reported suggesting that the scale measuring this factor is reliable. As a result of the factor analysis, the operationalisation of *Appropriateness* was reconstructed, and the formulated operational definition is presented in table 5.14.

5.6 REVISED OPERATIONAL DEFINITIONS

The reformulated operational definitions of the factors that emerged are summarised in table 5.14.

TABLE 5.14: REFORMULATED OPERATIONAL DEFINITIONS

Factor	Operationalisation
Financial Awareness	Refers to consumer's financial awareness of the benefits of having access to; a bank account, different banking services, different types of transactions, different banking channels and other banking products linked to their bank accounts.
Trust	Refers to the security features and relative safety of having a bank account, the security of tamper proof information systems that are kept confidential, protected by a unique pin number, and the knowledge that the bank has the best interest of the consumers at heart.
Fees	Refers to consumer's perceptions of relative affordability of the cost of different banking products and services, the cost of drawing and depositing money, the cost of inter-account transfers, and the cost of bank statements with regard to the target markets.
Simplicity	Refers to the provision and use of the financial products and services that use simple language and delivery channels, reduced learning curves, as well as easy to understand and use the financial products and services.
Usage	Refers to the actual use of financial products and services by sending and receiving money, saving, depositing, performing cashless transactions, using cell-phone banking, settling monthly expenses and gathering details about the regularity, frequency and duration of use of financial products and services over time.
Appropriateness	Refers to the nature and depth of the interaction between the consumers and banking institutions with respect to consumers having access at different locations, banking institution offering services that meet consumers' needs, consumers achieving financial goals and improving lifestyles by doing all transactions via the bank account and having more control over their personal financial affairs.

5.7 DATA ANALYSIS

The following section presents the results of the study obtain through statistically procedures adopted in this study. The following section highlights the following; descriptive statistics, Pearson's product moment correlation, multiple regression analysis.

5.7.1 DESCRIPTIVE STATISTICS

Descriptive statistics are calculated to ensure the presentability of the sample data. Struwig and Stead (2013:165) state that descriptive statistics is a method of summarising, organising and presenting data. Descriptive statistics include mean, standard deviation and frequency distribution to describe the sample data, which is summarised in table 5.15 below. For the purpose of this study, responses for the dependent and independent variables are recorded on the 5-point Likert scale: disagree, neutral and agree. The 'strongly disagree' response categories from the frequency distribution were classified together as 'disagree' to facilitate for simplification and brevity. In a like manner, the response categories 'strongly agree' and 'agree' were categorised together as 'agree'.

TABLE 5.15: DESCRIPTIVE STATISTICS (N=307)

Factor	Mean	Std. Dev.	Disagree %	Neutral %	Agree %
Usage	3.825	0.671	3.91	22.80	73.29
Simplicity	4.110	0.533	1.03	5.86	93.11
Appropriateness	3.554	0.801	11.40	32.57	56.03
Fees	2.175	1.088	65.80	16.61	17.59
Trust	3.131	1.133	34.85	17.59	47.56
Financial Awareness	3.662	0.817	10.10	27.04	62.86

In table 5.15 a mean score of 3.825 was reported for *Usage*, the majority of respondents (73.29%) agreeing that they use banking products and services. A minority of 22.80% of respondents were neutral regarding the usage of banking products and services with only 3.91% disagreeing about the usage of banking products and services.

Simplicity reported a mean score of 4.110, with the majority of respondents (93.11%) agreeing that the use of banking products and services is simple and easy to understand. About 5.86% of the respondents were neutral regarding the simplicity of banking products and services with only 1.03% disagreeing about the simplicity of banking products and services.

With regard to *Appropriateness*, the mean score of 3.554 was reported, meaning that the respondents agree with the factor. The majority of the respondents (56.03%) agreed on the appropriateness of banking products and services. About 32.57% of the respondents were neutral on the appropriateness of banking products and services and only 11.40% disagreed about the appropriateness of banking products and services.

A mean score of 2.175 was reported for *Fees*. The majority of the respondents (65.80%) disagreed that the cost of using banking products and services is expensive. The rest of the respondents were almost balanced, between 17.59% of them agreeing that fees were expensive and 16.61% neutral on the issue.

A mean score of 3.131 was reported for *Trust*. The majority of the respondents (47.56%) agreed that they trust their bank and the safety provided. About (34.85%) of the respondents disagreed on trusting their banks and only (17.59%) were neutral on the issue.

Financial Awareness reported a mean score of 3.662. The majority of the respondents (62.86%) agreed that they are aware of different banking products and services available to them. About (27.04%) of the other respondents disagreed and only (10.10%) were neutral on the issue.

It was noted that the majority of the respondents agreed with the independent variables; *Simplicity, Financial Awareness,* and A*ppropriateness* (93.11%, 62.86%, and 56.03% respectively). About 73.29% of the respondents also agreed on the dependent variable *Usage*.

5.7.2 PEARSON'S PRODUCT MOMENT CORRELATION

The Pearson's Product Moment Correlation was used in this study to assess whether there is a relationship between two or more variables. According to Leedy and Ormrod (2005:265-266) a correlation coefficient from +/-1 represents a perfect positive or negative relationship, a number close to +0.89 or -0.76 indicates a *strong* correlation, a number close to +0.15 or -0.22 indicates a *weak* correlation and those in the 0.40s and 0.50s, positive or negative, indicate a *moderate* correlation. The correlation coefficient for the study are summarised in table 5.16.

TABLE 5.16: PEARSON'S PRODUCT MOMENT CORRELATIONS COEFFICIENTS

	Factor	1	2	3	4	5	6
1	Usage	1.000	**0.172**	**0.312**	-0.056	0.020	**0.197**
2	Simplicity	**0.172**	1.000	**0.339**	0.039	**0.217**	**0.334**
3	Appropriateness	**0.312**	**0.339**	1.000	0.064	**0.199**	**0.347**
4	Fees	-0.056	0.039	0.064	1.000	**0.512**	**0.193**
5	Trust	0.020	**0.217**	**0.199**	**0.512**	1.000	**0.460**
6	Financial Awareness	**0.197**	**0.334**	**0.347**	**0.193**	**0.460**	1.000

(Bold = p<0.05)

From table 5.16 it can be seen that the independent variables *Simplicity* (r=0.172), *Appropriateness* (r=0.312) and *Financial Awareness* (r=0.197) are significantly (p<0.05) and positively correlated with the variable *Usage*. Although there is a significant positive correlation between the independent variables *Simplicity*, A*ppropriateness* and *Financial Awareness* and the dependent variable *Usage* the r-value indicates a weak correlation between this independent variables and the dependent variable (Leedy & Ormrod 2005:265-266).

Trust (r=0.460) reported a moderate correlation with *Financial Awareness* (r=0.460). The high positive correlation between *Trust* and *Financial Awareness* suggests that usage of banking products and services are impacted by consumer's financial awareness of the benefits of having access to: a bank account, different banking services, different types of transactions, different banking channels and other products linked to their bank accounts. This means because they are financially aware, apparently they trust the security features and relative safety of having a bank account, the security of tamper proof information systems that are kept confidential, protected by a unique pin number, and the knowledge that the bank has the best interest of the consumers at heart.

Trust (r=0.512) also reported a moderate correlation with *Fees* (r=0.512). The high positive correlation between *Trust* and *Fees* suggests that as consumers trust the security features and safety of having a bank account. They believe in the relative affordability of the cost of different banking products and services, the cost of drawing and depositing money, the cost of inter-account transfers, the cost of bank statements with regard to the target markets.

No significant correlation was reported between the independent variables *Fees* (r=-0.056) and *Trust* (r=0.020) and the dependent variable *Usage*. This suggested that consumers do not trust the security features and relative safety of having a bank account, the security of tamper proof information systems that are kept confidential, protected by a unique pin number, and the knowledge that the bank has the best interest of the consumers at heart. As a result they do not use the financial products and services to send and receive money, saving, depositing, doing cashless transactions, using cell-phone banking, settling monthly expenses and gathering details about the regularity, frequency and duration of use of financial products and services over time.

Simplicity reported a weak correlation with *Trust* (r=0.217), *Appropriateness* (r=0.339) and *Financial Awareness* (r=0.334). *Appropriateness* also reported a weak correlation with *Trust* (r=0.199) and *Financial Awareness* (r=0.347). This implies that there is a weak correlation between the independent variables (*Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness*) and the dependent variable (*Usage*).

5.7.3 MULTIPLE REGRESSION ANALYSIS

In order to determine whether the independent variables (*Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness*) had any significant relationship with dependent variable *Usage,* a multiple regression analysis was performed. From table 5.17 it can be seen that the independent variables explain 12.5% of the variance of the dependent variable (*Usage*).

TABLE 5.17: RESULTS OF THE MULTIPLE REGRESSION ANALYSIS

Dependent Variable: Usage		R-Square = 0.125	
Independent Variables	**Beta**	**t-value**	**Sig. (p)**
Financial Awareness	**0.104**	**1.945**	**0.005**
Trust	-0.021	-0.499	0.618
Fees	-0.053	-1.346	0.179
Appropriateness*	**0.219**	**4.474**	**0.000**
Simplicity	0.101	1.371	0.172

(Bold=p<0.005, Bold=p<0.001)

A positive statistically significant relationship (0.219; p<0.000) was reported between *Appropriateness* and *Usage*. The statistically significant relationship, as shown in table 5.17, is positive, suggesting that consumers might use a bank accounts to achieve their financial goals, improve their lifestyle, have control over their financial affairs with their bank account and can also have access to their bank accounts from different locations.

Another significant positive statistically significant relationship (0.104; p<0.000) was reported between *Financial Awareness* and *Usage*. This positive relationship suggested that usage of banking products and services are impacted by consumers' financial awareness of the benefits of having access to a bank account, different banking services, different types of transactions, different banking channels and other products linked to their bank accounts.

No significant relationship was reported between *Trust, Fees* and *Simplicity* and the dependent variable *Usage.* This means that the use of the above mentioned dimensions has no significant relationship with on the usage of banking products and services.

Support is ascertained for the relationships that were hypothesised between *Appropriateness* (H^4) and *Financial Awareness* (H^1) and the dependent variable *Usage*, based on the above established background. However support is not found for the hypothesised relationships between *Trust* (H^2)*, Fees* (H^3) and *Simplicity* (H^5) and the dependent variable *usage.*

5.8 SUMMARY

This chapter described and reported the empirical results of the study. Descriptive statistics were used to analyse the demographic information of the respondents and the results were summarised and presented in three tables. The first table reported the demographic information of the respondents. The second table reported the demographic information in context to respondents' channels of receiving and sending money and the third table reported the demographic information in context to respondents' source of income and their professions. An EFA was undertaken to assess the validity of the scales measuring the dependent and independent variables and Cronbach's Alpha coefficients were calculated to assess the reliability of the measuring instrument. Several items did not load as expected and the scale was thus reduced. Only items that were accepted as valid and reliable were retained on the scales. Thereafter, the operational definitions were formulated. Descriptive statistics were then used to provide a description of the independent and dependent variables and this included the mean, standard deviation and frequency distribution.

Pearson's product moment correlations were used to assess the association between the independent and the dependent variables. Thereafter a multiple regression analysis was undertaken to assess the relationships between the independent and the dependent variables. On the basis of the results multiple regression support was ascertained for relationships that were hypothesised.

The next chapter that follows will provide a summary of the entire study. Thereafter, conclusions and some recommendations of the empirical results are made.

CHAPTER 6

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In the previous chapter (5), a presentation of the empirical results was provided. This chapter will provide an overview of previous chapters in this study. The most significant findings will be presented and interpretations of the empirical results will be made. This will be followed by conclusions and recommendations, after which the contributions of the study will be outlined. In addition, limitations will be outlined and suggestions for future research will be made.

6.2 OVERVIEW OF THE STUDY

Chapter 1 introduced the background to the study, a problem statement and objectives of the study. The background indicated that having a bank account is not enough for an inclusive financial system, it is essential that the banking products and services be effectively utilised. As far as it can be established limited research has been conducted on the factors affecting the usage of banking products and services by low income and under-banked consumers, especially using a large sample size. The perceptions of low income and under-banked consumers were the focus of the study. The usage of banking products and services may be influenced by a number of factors which are: *Financial Awareness, Trust in banks, Fees, Simplicity* and *Appropriateness of banking products and services*.

Therefore, the primary objective of this study was to investigate the factors affecting the usage of banking products and services by under-banked consumers.
To help achieve the primary objective of this study, the following secondary research objectives were formulated:

- To conduct a literature review on the importance of financial inclusion in South Africa.
- To conduct a literature review on usage of banking products and services.
- To investigate which research methodology, data collection method and data analysis are most suitable to address the research questions.
- To develop a measuring instrument that will collect empirical data and analyse the primary data.
- To draw pertinent conclusions and propose a number of recommendations based on the results, to banking institutions.

A literature review was conducted and reported on in chapters 2 and 3. Chapter 2 focused on the theoretical overview of the importance of financial inclusion in the banking sector. In this chapter, financial inclusion was defined as a process that ensures that all members of an economy have ease of access, availability, usage, and basic financial products and services. It was also highlighted that financial inclusion is about expanding financial services to include low income and under-banked consumers. This means that consumers must have access to facilities such as payment, savings, credit and insurance. This aids consumers to be more in control of their finance so that they can spend their cash for life-cycle events (birth, marriage, death, school fees, holidays), emergencies (sickness or injury, death, loss of employment, theft), and opportunities (investing in businesses, land, or household assets).

Many initiatives were introduced to increase the level of financial inclusion in South Africa. Banks in South Africa adopted multiple strategies to improve financial inclusion such as mobile banking, internet banking and linkage banking. It was discussed that many consumers still lack the understanding of financial products and services and its benefits. Therefore consumers find it difficult to trust and make use of banking products and services from banking institutions.

In chapter 3, factors affecting the usage of banking products and services were identified and explained, focusing specifically on usage and the theoretical framework and hypotheses were formulated in this chapter. It was found that usage refers to the actual use of financial products and services and may be influenced by financial awareness of consumers, consumer distrust in banking institutions, high banking fees, simplicity and appropriateness of banking products and services offered or available (Rather & Lone 2012:2).

Furthermore, it was found that the informed usage of the banking products and services not only promotes a financially inclusive society but also customers' ability to take full advantage of the benefits of the banking products and services. Based on this information a theoretical model was formulated with five independent variables namely; *Financial Awareness, Trust, Fees, Simplicity* and *Appropriateness.*

In Chapter 4, the research design and methodology that was used in the study was outlined and discussed in detail. Given the nature of the problem statement and the research objectives of the study, a quantitative research approach was considered the most appropriate option for the study. A quantitative research approach is based on the measurement of amounts, and is expressed in terms of quantities. The main reason for this research approach is that it is useful during the determining of quantity or explaining of a phenomenon in a numerical manner.

A brief description of the population, sample and sampling method was then provided. In this study the non-probability sampling technique, known as convenience and snowball sampling, was used to select the respondents. Various professions of the respondents were identified as low income and under-banked consumers and were presented in the sample. A total of 400 questionnaires were distributed around the NMB from which 315 were collected, and the survey resulted in 307 usable questionnaires. The statistical techniques used to perform the analysis included descriptive statistics such as the mean, standard deviation and frequency distributions to summarise demographic variables; and Spearman's rank ordered correlation and multiple regression analysis. The validity of the scale was assessed using an exploratory factor analysis (EFA) and the reliability of the scale was calculated using Cronbach's Alpha coefficient.

An EFA was performed to assess the construct validity of the measuring instrument. The percentage variance was explained and the factor loadings were considered when assessing the validity of the measuring instrument. Factor loadings of greater than 0.4 (Comrey & Lee 1992) were considered significant. The reliability of the measuring instrument was confirmed by calculating Cronbach's Alpha coefficients, and coefficients of less than 0.7 were considered unacceptable. All the variables returned coefficients that were above 0.7 (Gliem 2003:87), and were thus accepted as reliable. This suggests that the measuring scales used in this study were reliable.

In chapter 5, the empirical results were summarised and presented. Demographics relating to gender, age and race as well as channels of sending and receiving money and source of income were collected. The majority of the respondents were aged between 30 and 39 years. The majority of the respondents were black followed by coloured respondents, and then Asian and white respondents. The development and administration of the measuring instrument were described. The variables investigated in this study were operationalised using reliable and valid items sourced from previous empirical studies. The statistical techniques employed to analyse the data were also identified and described.

Descriptive statistics were calculated to summarise the data. A mean score of 3.825 was reported for the dependant variable *usage*. For the independent variables which are *Financial Awareness* (3.662), *Trust* (3.131), *Fees* (2.175), *Simplicity* (4.110) and *Appropriateness* (3.554), the highest mean value reported was the independent variable *Simplicity* (4.110) and the lowest score reported was for *Fees* (2.175).

All five items (FA1, FA2, FA3, FA4, FA5) intended to measure *Financial Awareness* loaded together as expected. Factor loadings of between 0.80 (FA4) and 0.668 (FA5) were reported for this factor. *Financial Awareness* explains 8% of the variance in the data. A Cronbach's Alpha of 0.863 was reported suggesting that the scale measuring this factor is reliable.

All six items (TR1, TR2, TR3, TR4, TR5, TR6) intended to measure *Trust* loaded together as expected. Factor loadings of between 0.908 (TR2) and 0.845 (TR6) were reported for this factor. *Trust* explains 15.2% of the variance in the data. A Cronbach's Alpha of 0.970 was reported suggesting that the scale measuring this factor is reliable.

All six items (FE1, FE2, FE3, FE4, FE5, FE6) intended to measure *Fees* loaded together as expected. Factor loadings of between 0.899 (FE4) and 0.844 (FE6) were reported for this factor. The variable, *Fees,* explains 15.1% of the variance in the data. A Cronbach's Alpha of 0.968 was reported suggesting that the scale measuring this factor is reliable.

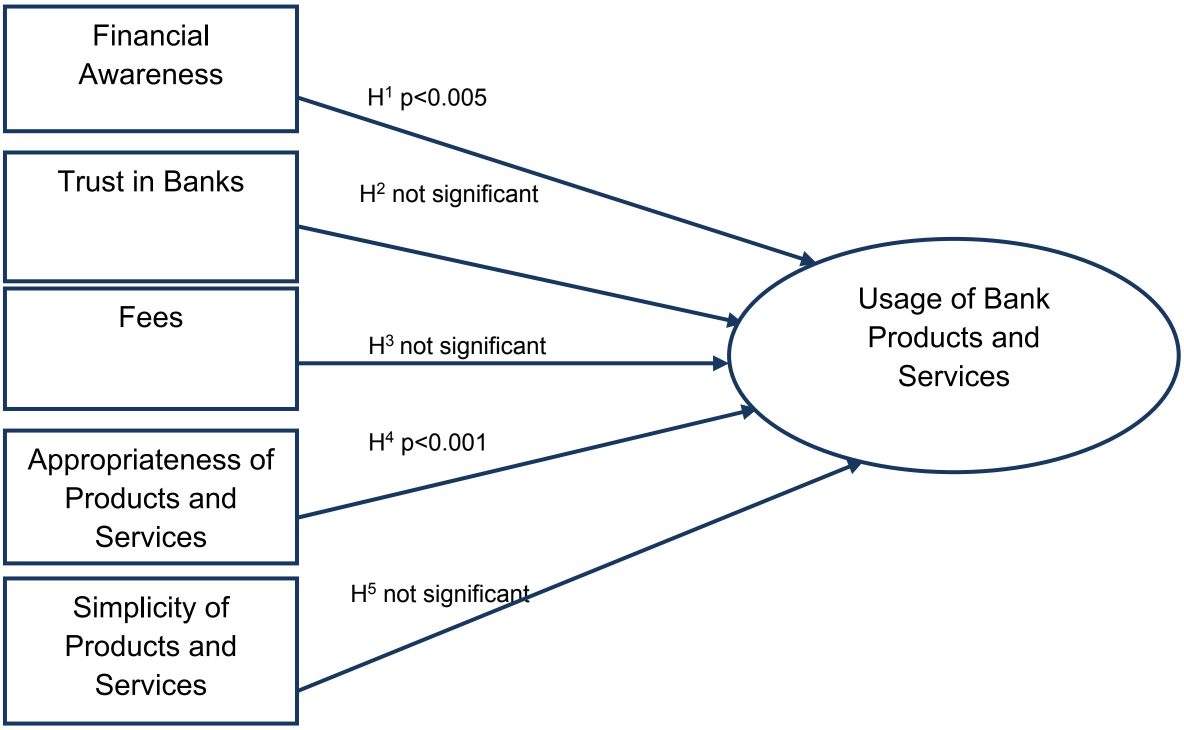
All six items (SIM1, SIM2, SIM3, SIM4, SIM5) intended to measure *Simplicity* loaded together as expected. Factor loadings of between 0.851 (SIM2) and 0.691 (SIM5) were reported for this factor as shown in table 5.12. *Simplicity* explains 9% of the variance in the data. A Cronbach's Alpha of 0.872 was reported suggesting that the scale measuring this factor is reliable.

Six items (APP1, APP2, APP3, APP4, APP5, APP6) were intended to measure *Appropriateness*; however, only five items (APP2, APP3, APP4, APP5, APP6) loaded together as expected. Factor loadings of between 0.90 (APP3) and 0.750 (APP2) were reported for this factor. *Appropriateness* explains 12.2% of the variance in the data. A Cronbach's Alpha of 0.918 was reported suggesting that the scale measuring this factor is reliable.

Pearson's product moment correlations were used to assess whether there is a relationship between the independent variables and the dependent variable. *Simplicity* (r=0.172), *Appropriateness* (r=0.312) and *Financial Awareness* (r=0.197) *reported* a positive correlation with the dependent variable *Usage*. A high positive correlation was recorded between *Trust* (r=0.460) and *Financial Awareness* (r=0.460) and also between *Trust* (r=0.512) and *Fees* (r=0.512). *Simplicity* reported a weak positive correlation with *Trust* (r=0.217), *Appropriateness* (r=0.339) and *Financial Awareness* (r=0.334). *Appropriateness* also reported a weak positive correlation with *Trust* (r=0.199) and *Financial Awareness* (r=0.347).

A Multiple regression analysis was performed to determine the extent to which the independent variables had any statistically significant relationship on the dependent variable. Only the two variables *Appropriateness* (0.219; p<0.000) and *Financial Awareness* (0.104; p<0.000) were determined to have a significant relationship on the dependent variable *usage*. The significant relationships that were identified are summarised in figure 6.1 and the interpretations of these relationships will be discussed in the next section.

FIGURE 6.1: SUMMARY OF SIGNIFICANT RELATIONSHIPS



(Source: Researcher's own construction)

6.3 DISCUSSION OF RESULTS

The study focused on the factors that affect the usage of banking products and services by the low income and under-banked consumers. The summary of the significant relationships presented in figure 6.1 reveals that of the five proposed relationships, only two were found to be significant. In this section the results of the study will be interpreted. The results of the significant relationships will be discussed first and will be followed by the relationships which were determined not to be significant.

6.3.1 FINANCIAL AWARENESS

A positive significant relationship between *Financial Awareness* and *Usage* was determined. This means that low income and under-banked consumers were likely to be financially aware if they know of the benefits of having a bank account, different banking services they have access to, the type of transactions they can perform, different banking channels available as well as other banking products linked to their accounts. The findings of the study show that the usage of banking products and services can be increased through increased financial awareness, changing the unrealised need of the consumers into a realised need for banking and providing affordable services for various sections of the population. Therefore, poor financial awareness of banking products and services represents a significant barrier to properly using banking products and services effectively to benefits under-banked consumers. This limit also consumers' capacity to be aware of financial opportunities offered by banking institutions so as to make informed choices and take effective action to advance their financial well-being with the financial products and services offered by banking institutions.

This finding is in line with Ghalib & Hailu (2009:3) who claim that financial awareness helps future consumers to benefit from high quality information, instruction and advice and better their usage of banking products and services. According to Hung, Parker & Yoong (2009:3) frequent use of financial products and services promotes higher levels of financial awareness among consumers which aids in making informed financial decisions underpinned by an increasingly intimate knowledge of financial concepts.

Even though banking institutions have some banking products and services which are suitable for the needs of low income and under-banked consumer according to the findings of the study, the same consumers have low awareness of those products and services. Financial awareness helps consumers comprehend the importance and basic mechanics of finance as it is particularly significant and intrinsically related to consumer protection. Consumers are less likely to fall victim to unscrupulous financial service providers offering inappropriate financial products and services to them.

6.3.2 APPROPRIATENESS OF PRODUCTS AND SERVICES

It was found in the study that *Appropriateness* reported a positive significant influence on *Usage*. This means that consumers are likely to access their bank account at different locations. With banking institutions offering products and services that meet their needs, consumers can achieve their financial goals and improve lifestyles by doing all transactions via the bank account and having more control over their personal financial affairs.

The findings concur with that of the Banking Association of South Africa (2014) who assert that banking products and services should ensure that consumers' needs are addressed. According to FinMark (2012:16) banking institutions should determine the customer's experience and knowledge of the type of financial product and service to be provided before carrying out a transaction for a consumer. Moreover, if the transaction is regarded as inappropriate, the consumer should be warned. Further attention is necessary to deliver the portfolio of banking services that will meet low income and under-banked consumer’s financial needs. Consumers will benefit more from banking products and services that are designed with the consumers needs at heart to ensure financial product and service best suits the individual needs of consumers.

The findings of the study thus show that usage of banking products and services can increase low income and under-banked consumers to improve their lifestyles. Through expanded access in different locations, consumers are able achieve their financial goals.

6.3.3 OTHER FACTORS

There was no significant relationship between the independent variables *Trust, Fees* and *Simplicity* and the dependent variable *Usage*. In other words, the use of the above-mentioned dimensions has no significant relationship with usage of banking products and services. These findings contradict the theoretical framework put forth regarding the above in chapter 3.

To explain the possible reasons why *Trust* was not significant, previous studies have also found that trust is not a significant factor to use banks efficiently. The findings agree with Demirguc-Kunt and Klapper (2013:34) who highlighted that distrust in banks could be as a result of cultural norms, or discrimination against certain population groups. According to Martínez, Hidalgo and Tuesta (2013:13) some consumers may prefer other options instead of formal banking institutions because of distrust and the fear of difficulty in accessing formal banking products and services.

In the case of under-banked consumers, the complexity of trust was found to be two-fold: first the trust of technology and second, the trust of the financial products and services that are being offered (Javid 2013:5). Thus, generating trust on usage remains one of the most important challenges of banking products and services offered among the under-banked. However, further investigation may be required to determine why these findings differ from the proposed norms above

Fees also did not register a significant relationship with *Usage*. It was a common matter of the concern among the respondents. Consumers want to know the fees of every transaction for service performed. *Fees* hence are an important factor that would determine the adoption of usage of banking products and services among the consumers.

Due to the cost of servicing low income and under-banked consumers, banking institutions, instead, tend to focus on servicing middle to high income earners, with international banking institutions, in particular, being the most exclusive (Boateng

2013:21). According to the Banking Association of South Africa (2013) financial institutions should decrease fees affecting consumers to ensure that the prices of banking products and services are in line with the target markets' capability to pay for them. Thus, total fees of availing the services, need to be minimised to make certain usage of banking products and services properly increase.

Furthermore, *Simplicity* was also not a significant influence on *Usage*. Consumers prefer banking products and services that are easy to use and to understand. This finding contradicts Javid (2013:5) who claims that financial products and services need to be clearly identifiable, considerably simple for consumers to use and standardised so that they easily meet consumers' basic financial needs.

Simplicity was one of the core constructs of *Usage*, given the fact that the level of financial awareness is not very high among low income and under-banked consumers. It becomes essential to design a banking service that is easy to use as well as in the language that consumers are at ease with. Thus, ensuring simplicity of the offered service, both in terms of technology as well as the financial products and services being offered, would be a very important factor.

6.4 RECOMMENDATIONS

When low income and under-banked consumers make choices regarding banking products and services, they are mostly affected by the level of *Appropriateness* of those banking products and services, and also their own level of *Financial Awareness.* It appears that consumers with a high level of awareness about banking products and services are more likely to acquire appropriate products and services that help them to meet their financial needs.

It is recommended that banking institutions should tailor their marketing campaigns towards low income and under-banked consumers in order to improve the level of financial awareness of consumers about banking products and services they consume. Banking institutions should seek to improve their communications strategies by adopting techniques that effectively transmits their ideas between the banking institutions and low income and under-banked consumers. This means that bank accounts such as Mzansi account should be effectively marketed to low income and under-bank consumers using appropriate media. An example of such media may be the use of televised advertisements and infotainment programming to reach large audiences efficiently and effectively. The television advertisement should highlight the different types of banking products and services available, the benefits of banking products and services and where under-banked consumers can access these types of banking products and services. Brochures providing comprehensive tailored information about banking products and services should be made available to low income and under-banked consumers. It should highlight the different transactions and channels available as well as the benefits of using these types of banking products and services that can be used by under-banked consumers to access them.

The banking institutions should educate their employees about the needs of low income and under-banked consumers regarding appropriate types of banking products and services that would best suit the needs of such consumers. Such education could take the form of formal training, coaching and workshops. These employees should then be able to effectively convey the benefits of using these types of banking products and services to low income and under-banked consumers while making sure that these consumers acquire the most appropriate products and services for their financial need. For example, the employees should create an awareness of other banking products and services that are linked to these types of banking products, such as savings and credit facilities. The employees should also make them aware of the different types of transactions that can be performed on these types of products and services such as withdrawal, deposits, transfers and payments. These employees should emphasise the advantages of depositing, transferring cash using these types of bank account and the disadvantages of withdrawing cash immediately after it has been deposited into a bank accounts.

Banking institutions should promote comprehensive financial awareness amongst its consumers by offer face-to-face engagement with them, as well as educating them on financial matters. They should embark on advertising campaigns using the most appropriate media channels for the various different market segments. Furthermore, banking institutions should try to engage low income and under-banked consumers via familiar and accessible languages to inform and educate those consumers. Examples of this could be mother-tongue education campaigns in areas where English is not the dominant language. This could give consumers firsthand knowledge of the benefits of having a bank account, the different banking services that they have access to, the types of transactions they can perform using their bank accounts, other banking products linked to their bank account, different banking channels available and thus increase their understanding of using banking products and services.

Banking institutions should make appropriate low cost banking channels available in areas where these consumers are most likely to trade. Products and services offered should be designed to be affordable and cost effective for low income and under-banked consumers' needs. Banks should offer products and services that are commensurate with the ability of low income and under-banked consumers to pay for them. Consumers should be able to achieve their goals such as savings without eroding such saving with high banking costs. These products and services should be designed to accommodate the financial capabilities of low income and under-banked consumers.

Banking institutions focus should be on the creation of innovative design systems to ensure that banking products and services will effectively address the needs of low income and under-banked consumers. Banking institutions should ensure that consumers have access to innovative efficient financial products and services, ranging from new transactional products to distribution channels through non-traditional banking channels. Banking institutions should thus provide products and services to low income and under-banked consumers using such technologies on an increasing basis to increase the value for money aspect thereof and thereby also reduce the consumers' risk of holding money.

6.5 CONTRIBUTIONS OF THE STUDY

As can be established limited research has been conducted in the investigation of the factors that affect the usage of banking products and services by low income and under-banked consumers. This study will add to the theoretical and empirical body of the factors that affect the usage of banking products and services by low income and under-banked consumers. This may be attributable to the fact that most investigations have been concentrated on mostly the middle and high income consumers and less on the low income and under-banked consumers. The study has therefore, broadened and contributed to the empirical body of knowledge in this area, by proposing a theoretical framework and developing a measuring instrument suitable for measuring factors that affect the usage of banking products and services by low income and under-banked consumers. This study has contributed to the discussion and research on suitable scales to measure the various factors. Banking institutions should first and foremost promote financial awareness amongst its consumers.

Finally the results of this study may serve as point of reference (questionnaire) for further investigation on the subject matter. The measurement scale developed in this study as well as the theoretical framework can serve as baseline information and a resource for further research in this area.

This study offers great potentials for growth in the banking sectors with ensuing enhancement in the factors that affect the usage of banking products and services by low income and under-banked consumers and formulating strategies and mechanisms aimed at promoting adequate usage of banking products and services.

6.6 LIMITATIONS AND FUTURE RESEARCH

There are a number of limitations to this study that should be highlighted. These limitations should be considered when interpreting the findings of this study. Firstly, the use of convenience sampling introduced a source of possible bias into the study.

The findings can consequently not be generalised to all members of the population. A larger sample can be obtained by including more members of the population to have a representative sample. By testing the model with other income groups, a more general conception about the usage of banking products and services can be made.

Moreover, the theoretical model developed in the study only focused on five influencing factors. The investigation of other possible factors contributing to the usage of banking products and services is necessary. These could include such factors as financial knowledge, affordability, consumer protection and distances. Making use of a larger sample and an improved model with other pertinent influencing factors might bring to light the significant factors involved in the decisions made by consumers in the usage of banking products and services.

The demographic profile of the respondents was also a factor to consider in this study. The majority of the respondents were black (race), and thus not representative of all racial groups in NMB. Other racial groups need to be considered for further studies. Possibly a comparison of various professions could be done to observe the differences in the usage of banking products and services from different race group.

Despite several limitations, the results of the study still serve as an important starting point and contribution to the usage of banking products and services. This study adds to the body of knowledge, and specifically to the information about the usage of banking products and services of under-banked consumers.

6.7 CONCLUDING REMARKS

In this chapter a summary of the scope of the research was discussed so as to understand the bases of the recommendations. Recommendations based on the research findings were made so as to achieve the research objectives. Finally, opportunities for further research were outlined.

The South African banking institution is entering a stage of expansion which is stimulated by diverse consumer demands for banking products and services. This sector has high demands for continuous quality consumer service channelled towards individual needs. Moreover, the industry is becoming more and more competitive. Any banking institution wishing to attract new consumers and maintain its current consumers should continuously increase the number of banking products and services that are available to its consumers.

Suggested recommendations for this study will enable the South African banking institutions to attract and retain consumers to use banking products and services adequately. Effectual communication in the form of feedback to consumers should be a non-stop procedure so as to build trust.

LIST OF SOURCES

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ANNEXURE A

COPY OF COVER LETTER AND QUESTIONNAIRE

• PO Box 77000 • NelsonMandelaMetropolitanUniversity

Nelson Mandela Metropolitan University

for tomorrow

Unit for Applied Management Sciences

Summerstrand South Campus

DEPARTMENT OF BUSINESS MANAGEMENT

Tel: +27 (0)41 504 2201 Fax. +27 (0)41 5832644
tony.matchaba-hove@nmmu.ac.za
xolile.antoni@nmmu.ac.za
Tel: +27 (0)41 504 4064 / 4807

August 2014

Dear Respondent

The Unit for Applied Management Sciences is a research unit functioning under the auspices of the Department of Business Management and the School of Management Sciences at the Nelson Mandela Metropolitan University. The Unit is undertaking a research project to determine the factors influencing the usage of banking products and services in the Eastern Cape.

It has been found in the literature that having a bank account is not enough for an inclusive financial system. It is essential that the banking products and services be effectively utilised. The usage of banking products and services may be influenced by a number of factors which are under investigation in this study.

You are part of our selected sample of respondents whose views we seek on the above-mentioned matter. We kindly request that you complete the following short questionnaire regarding your views on the factors influencing the usage of banking products and services. **Participation in this research project is voluntary** and **respondents are free to withdraw at any time**. No identifying information respondents will be collected. **All responses will be recorded anonymously and treated in the strictest confidence**. Please answer the questions as accurately and honestly as possible.

Your participation is greatly appreciated.

Yours sincerely.

Ms Mbunwe Belter Giwe	Mr T. Matchaba-Hove	Mr X. Antoni
RESEARCHER	SUPERVISOR	CO- SUPERVISOR

A GENERAL INFORMATION

Please mark your selection to the following questions with an (X).

1 Please indicate your gender (for statistical purposes only).

Male		1
Female		2

2 Please indicate your age category (for statistical purposes only).

< 20		1
20 – 29		2
30 – 39		3
40 – 49		4
50 – 59		5
60 +		6

3 Please indicate your population group you belong (for statistical purposes only).

Asian		1
Black		2
Coloured		3
White		4
Not willing to say		5

4 Please indicate your home language(for statistical purposes only).

English		1
Xhosa		2
Afrikaans		3
Zulu		4

Other (Please state):		5

5 Please indicate your channels for receiving money (may select more than one).

By bank or ATM		1
Supermarket money transfer		2
Cellphone money		3
Post Office		4

6 Please indicate your channels for sending money (may select more than one).

By bank or ATM		1
Supermarket money transfer		2
Cellphone money		3
Post Office		4
Send money with relatives		5

7 Please indicate your source of income (may select more than one).

Child grant		1
Salary/wages		2
Piece jobs		3
Old age pension		4
Money from others		5

8 Please indicate your profession.

Baker		1
Bartender		2
Brick Layer		3
Bus Inspector		4
Butcher		5
Car guard		6
Cashier		7
Child minder		8
Cleaner		9
Community Cleaner		10
Construction worker		11
Delivery Man		12
Domestic Worker		13
Driver		14
General worker		15
Hair Stylist		16
Machine operator		17
Merchandiser		18
Meter reader		19
Petrol Attendant		20
School Caretaker		21
Security Officer		22
Truck Driver		23
Waitron		24
Please specify other:		

B AWARENESS/USAGE OF BANKING PRODUCTS/SERVICES

Below are a number of statements that relate to your awareness of banking products/services. The columns are graded from 1 to 3. The number 1 implies you are aware/use the product/service, 2implies are not aware/do not use the product/service and 3 means you are not willing to say if you are aware/use the product/service. Place a cross (X) in the appropriate column.

Bank products/services	Awareness		Usage		Not willing to say
	Yes	No	Yes	No	
ATM/Debit card	1	2	1	2	3
Saving account	1	2	1	2	3
Mzansi account	1	2	1	2	3
SASSA card	1	2	1	2	3
Cell phone banking	1	2	1	2	3
Funeral policy with a bank	1	2	1	2	3
Current account	1	2	1	2	3
Fixed deposit account	1	2	1	2	3
Notice deposit account	1	2	1	2	3
Personal loan from a bank	1	2	1	2	3
Stop order/ debit order	1	2	1	2	3
Credit card with a bank	1	2	1	2	3
Overdraft facility	1	2	1	2	3

C FACTORS INFLUENCING USAGE OF A BANK ACCOUNT

Below are a number of statements that relate to the factors influencing usage of a bank account. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with a statementwhile 5 denotes strong agreement with a statement. Please indicate the extent to which you agree or disagree with each statement by placing a cross (X) in the appropriate column.

	Statements relating to the factors influencing usage of a bank account.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	Financial awareness					
1	I am aware of the benefits of having a bank account	1	2	3	4	5
2	I am aware of the different banking services that I have access to	1	2	3	4	5
3	I am aware of types of transactions that I can perform on my bank account (transactions = withdrawal, deposit, transfer or payment)	1	2	3	4	5
4	I am aware of other banking products linked to my bank account	1	2	3	4	5
5	I am aware of the different banking channels available to me (banking channels = ATM, cellphone banking or point of sale)	1	2	3	4	5
	Trust					
1	I trust the security features of my bank account	1	2	3	4	5
2	I trust the information concerning my bank account will not be tampered with	1	2	3	4	5
3	I trust my bank account is protected by my unique pin number	1	2	3	4	5
4	I trust that my money in my bank account is safe	1	2	3	4	5
5	I trust that the information about my bank account will not be supplied to others	1	2	3	4	5
6	I trust that my bank has my best interest at heart	1	2	3	4	5
	Fees					
1	The number of transaction I perform on my bank account are cheap	1	2	3	4	5
2	The cost of drawing money from an ATM is cheap	1	2	3	4	5
3	My monthly bank account fee is cheap	1	2	3	4	5
4	It is cheap to deposit money into my bank account	1	2	3	4	5

5	It is cheap to transfer money from my bank account to another bank account	1	2	3	4	5
6	It is cheap to request my bank account statements	1	2	3	4	5

	Statements relating to the factors influencing usage of a bank account.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	Simplicity					
1	My bank's ATM is easy to use	1	2	3	4	5
2	My bank provides information about my bank account in a way that is easy to understand	1	2	3	4	5
3	My bank account channels uses a language that I can easily understand (banking channels = ATM, cellphone banking or point of sale)	1	2	3	4	5
4	It is easy to use my bank account	1	2	3	4	5
5	It takes less time to learn about my bank account	1	2	3	4	5
	Usage					
1	I use my bank account to send money to family members/elsewhere	1	2	3	4	5
2	I use my bank account to receive money from family members/elsewhere	1	2	3	4	5
3	I use my bank account to save money that I will use in the future	1	2	3	4	5
4	I use my bank account to deposit money into my saving account	1	2	3	4	5
5	I use my bank account to receive my wages/salary	1	2	3	4	5
6	I use my bank account for cashless transactions at the point of sale	1	2	3	4	5
7	I use my bank account to settle my monthly expenses	1	2	3	4	5
8	I use my cellphone to access my bank account	1	2	3	4	5
	Appropriateness					
1	I have access to my bank account from different locations	1	2	3	4	5
2	My bank account offers services that meets my needs	1	2	3	4	5

3	I am able to achieve my financial goals with my bank account	1	2	3	4	5
4	I can do all my transactions with my bank account	1	2	3	4	5
5	I am able to improve my lifestyle by using my bank account	1	2	3	4	5
6	My bank account gives me more control over my financial affairs	1	2	3	4	5

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

ANNEXURE B

PROFESSIONS OF LOW INCOME AND UNDER-BANKED CONSUMER

PROFESSIONS OF LOW INCOME AND UNDER-BANKED CONSUMERS

Profession	Frequency	Percentage
Baker	10	3,26%
Bartender	7	2,28%
Brick Layer	3	0,98%
Bus Inspector	8	2,61%
Butcher	11	3,58%
Car guard	7	2,28%
Cashier	19	6,19%
Child minder	12	3,91%
Cleaner	10	3,26%
Community Cleaner	10	3,26%
Construction worker	12	3,91%
Delivery Man	8	2,61%
Domestic Worker	19	6,19%
Driver	16	5,21%
General worker	30	9,77%
Hair Stylist	12	3,91%
Machine operator	10	3,26%
Merchandiser	16	5,21%
Meter reader	0	0,00%
Petrol Attendant	13	4,23%
School Caretaker	3	0,98%
Security Officer	15	4,89%
Truck Driver	15	4,89%
Waitron	19	6,19%
Others	22	7,17%
Total	307	100,00%

ANNEXURE C

DECLARATION IN RESPECT OF LANGUAGE EDITING

DECLARATION OF LANGUAGE PRACTITIONER

This serves to confirm that I edited the treatise of Mbunwe, Belter Giwe.

Yours faithfully

Ms L. Kemp

Communications Lecturer

Nelson Mandela Metropolitan University

B.A. Hons (English); MBA (Cum Laude)

ANNEXURE D

ETHICS CLEARANCE

FORM E

Nelson Mandela Metropolitan University

for tomorrow

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: Business and Economic Sciences

SCHOOL: School of Management Sciences

DEPARTMENT: Department of Business Management

We, (surnames and initials of supervisors) *Mr T. Matchaba-Hove* *and* *Mr X. Antoni,* the supervisor and co-supervisor for (surname and initials of candidate) *M Belter Giwe* (student number) *210012234*, a candidate for the degree of *Master of Commerce (Business Management)* with a thesis entitled (full title of treatise/dissertation/thesis):

Investigating the factors affecting the usage of banking products and services by the under-banked consumers

considered the following ethics criteria *(please tick the appropriate block):*

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4. Will the participant's privacy, anonymity or confidentiality be compromised?		X

4.1 Are you administering a questionnaire/survey that:		
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
(e) Will create doubt whether sample control measures are in place?		X
(f) Will be distributed electronically via email (and requesting an email response)? Note: • If your questionnaire **DOES NOT** request respondents' identification, is distributed electronically and you request respondents to return it *manually* (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be NO. • If your questionnaire **DOES NOT** request respondents' identification, is *distributed via an email link and works through a web response system (e.g. the university survey system); **AND*** respondent anonymity can be guaranteed, your answer will be NO.		X

*Please note that if **ANY** of the questions above have been answered in the affirmative **(YES)** the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

SUPERVISOR	12/08/2014 **DATE**
CO-SUPERVISOR	12/08/2014 **DATE**
HEAD OF DEPARTMENT	12/08/2014 **DATE**
STUDENT	12/08/2014 **DATE**

Please ensure that the research methodology section from the proposal is attached to this form.