

COUNTERACTING FINANCIAL EXCLUSION AS AN ETHICAL ASPECT OF THE ACTIVITIES OF COOPERATIVE BANKS BASED ON OWN RESEARCH

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ABSTRACT

The main purpose of this thesis is to present the opinions of clients on the ethical aspects of the activities of cooperative banks in the context of limiting financial exclusion. The author attempts to answer the questions: were clients refused with banking services, what were the reasons for this refusal, do cooperative banks offer electronic banking services to limit financial exclusion. The empirical basis of the issues discussed herein is the study of the subject literature and the results of a survey conducted among 132 clients of selected cooperative banks. The thesis assumes that financially excluded clients are those who have limited access to the products and services offered by cooperative banks. The following methods were used to develop the test results: structural and χ^2 test. Based on the results of the survey, general conclusions were drawn. A small percentage of clients of the selected cooperative banks encountered difficulties in accessing banking services. Financially excluded clients are usually single men, living in the countryside, farm workers or physical workers. Electronic banking services are not very popular among clients of cooperative banks. It is difficult to identify the effect of non-cash trading on the level of financial exclusion of these institutions.

Key words: financial exclusion, business ethics, cooperative banks, clients

INTRODUCTION

Socio-economic development is accompanied by the development of the financial sector. Therefore, access to basic financial products and services and their use is of great socio-economic importance. Banks, through their activities, should contribute to the socio-economic development of the country, increasing the wealth of the society through socially responsible business, introducing innovations and supporting education of the society.

Unfortunately, in many countries, also highly developed, the number of people affected by financial exclusion is increasing. It is a signal indicating that market mechanisms that are necessary are not sufficient indicators of banks' operations. It is necessary to

take into account ethical values in the process of making economic decisions.

Cooperative banks, as institutions of public trust, build the trust of clients and shape the positive image of the entire sector through their activity. Providing services primarily to the local community, economic entities and local government units try to fulfill their mission in a reliable, honest, careful and responsible manner as well as ensuring high standards of professional ethics.

THE CONCEPT OF FINANCIAL EXCLUSION

The concept of financial exclusion was first used in 1993 by geographers who focused on limited physical access to banking services, following the closure of

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a bank branch [Leyshon and Thrift 1993]. In the 1990s, researchers addressing this type of exclusion emphasized that it concerns certain social circles, in gaining access to modern financial instruments, banking services, consumer credit and insurance [EC 2008].

In 1999, financial exclusion was defined in a broader sense for the first time and referred to people who have difficult access to basic financial services [Kempson and Whyley 1999].

Anderloni [2006] notes that at least two approaches to defining financial exclusion can be found in the subject literature: broad and more restrictive. The broad approach emphasises financial needs, referring to the difficulties experienced by people on low incomes and in a disadvantaged social situation. This applies to the following services: having an account, the possibility of making non-cash settlements, access to credit and insurance, and having small savings, taking into account the unstable professional situation.

In the more restrictive approach, the definition places more emphasis on specific services and lack of access to them. These services are often referred to as basic (universal). These are financial services that have no impact on the household budget, but, at the same time, constitute an important element in the life of the individual – for its survival, security and participation in social and economic life [Iwanicz-Drozdowska 2008].

The broad concept of financial exclusion, based on barriers to the use of financial services, identifies various aspects of this type of exclusion [Kempson and Whyley 1999]:

- exclusion due to geographic availability;
- exclusion due to accessibility – occurring when access restrictions arise from the risk assessment process by a financial institution;
- exclusion due to conditions – occurring in a situation where the product offer is not properly adapted to the needs of a given group of people;
- price exclusion – related to the existence of excessive prices, which are a barrier to access to financial services;
- marketing exclusion – existing in a situation when a given group of people is excluded in accordance with the marketing policy of a financial institution;

- self-exclusion – the reasons for this kind of exclusion lie in the conviction of a group of people about the lack of need to use banking services due to the expected disappointment after using these services. Sometimes it is the result of being refused access to financial services in the past or the conviction that financial institutions do not accept certain groups of people, e.g. national minorities.

The European Commission defines financial exclusion as a situation in which a person encounters difficulties in accessing and/or using services and financial products to the extent corresponding to his needs and enabling him to conduct a normal social life [EC 2008]. It is worth stressing that financial exclusion is a frequent consequence of social exclusion. People affected by material poverty, unfavorable social processes have a problem with achieving an adequate level of social and economic life, and in the process of obtaining education and entering the labor market.

According to the literature on the subject, the following types of financial exclusion can be distinguished: payment, investment, insurance, pension, credit and savings exclusion. It is worth mentioning here one more concept related to exclusion on the financial market, namely bank exclusion. It is a narrower concept in relation to the concept of financial exclusion presented above and includes a restriction in access to banking products and services. In particular, it includes transactional, credit and savings exclusion [Kuchciak 2012].

When classifying a financial exclusion, its causes should be taken into account. The main reasons for financial exclusion include:

- income level and diversification;
- changes in the labor market related to job insecurity and income;
- demographic changes related to aging of the population and change of the family model.

Borcuch [2012] indicates: demand, supply and social factors of financial exclusion (Table 1). Taking into account the factors presented in Table 1, it is possible to indicate several socio-economic features that largely determine financial exclusion. These include: level of education, professional status, income, age, place of residence. Financial persons are particularly exposed to financial exclusion: persons living in rural areas,

Table 1. Reasons for financial exclusion

Social factors	Demand factors	Supply factors
Liberalization of financial markets, leading to greater complexity (complexity) of financial instruments	Concern about high costs accompanying financial instruments	Risk assessment applied by financial institutions
Structural changes in the labor markets, manifested by more frequent job changes and less security	The conviction that financial services are not intended for poor people	Financial marketing run by financial institutions
Fiscal policy, which may tax the banking services too heavily	Fear of losing control over finances, distrust of their suppliers	The conditions and types of products and the manner of their delivery
Demographic changes manifested by a higher divorce rate or later age of children leaving the house	Willingness to use alternative sources of financing	The price of financial products
Inequalities in earned income	Negative experiences from the past	–

Source: Borcuch [2012].

where access to financial services is difficult, young or elderly people, people who do not have a permanent job and, therefore, obtain relatively low income.

When analyzing the phenomenon of financial exclusion, one more issue should be taken into consideration, namely a group of people characterized by inadequate use of banking services. Thus, the phenomenon of exclusion on the financial market should be considered on two levels: people with no access to banking/financial services and people with limited access to above-mentioned services and products [IBnGR 2014].

ETHICAL ASPECTS OF BUILDING COOPERATIVE BANKS' RELATIONS WITH CLIENTS

The immanent feature of the relationship between clients and banks, an important and inalienable, basic value, is the culture of public trust. It is an inseparable attribute of the bank's operation and determines its development and survival [Masiukiewicz 2007]. Three levels of building public trust can be distinguished: personal ties [Masiukiewicz 2007]; deontological codes (Code of Good Banking Practice) [ZBP 2013]; legal system of financial markets [Masiukiewicz 2007].

Co-operative banks, in their relationships with clients, strive to take into account the special trust they receive through high requirements as to the reliability

and careful treatment of all clients. Undertaking activities in this area is postulated in the principles of good banking practice. It is a set of standards of conduct concerning the activities of banks and referring to persons employed in banks and also to persons acting as intermediaries in banking activities, i.e. acting for and on behalf of banks. These rules include [Strzelecki 2008]:

- rules of conduct for banks with clients;
- principles of mutual relations between banks;
- advertising rules, rules of conduct for bank employees;
- provisions regarding the Banking Ethics Committee together with the attached regulations of the Banking Ethics Committee.

For people who want to pursue their professional career in the banking and financial sector, qualification standards have been developed under the patronage of the Polish Bank Association (ZBP), which include: a set of requirements for the banker's profession, a set of knowledge and skills necessary for a bank employee, a set of professional requirements necessary to perform duties at individual positions in the bank. In addition, the standards set out how to run a career, at what rate and scope of specialization and [ZBP 2018]:

- a description of the requirements that can be used to describe job positions, employee assessments and create a competence map;

- tools for rationalization of promotion and remuneration policies;
- tools for planning the professional development of individual employee groups and reserve staff;
- a certification system that objectively confirms the level of knowledge and skills.

The effectiveness of a cooperative bank depends on the professional knowledge of employees and their entrepreneurship. When the level of qualifications of employees increases, their use of past experience and the so-called common sense approach to problem solving. Increasingly, when using strategic decisions, team management or negotiations, the basics of management, sociology and psychology are used. Public confidence in the bank is also built by: honesty, diligence and competence of the bank's management and staff; keeping banking secrecy by its employees.

A bank may be considered a public trust institution capable of performing its basic functions as a reliable partner only on the condition that its team of employees is completely trustworthy [Strzelecki 2008].

Cooperative banks maintain higher employment than dictates market share. This translates into better client care. Employees of cooperative banks enjoy high trust of clients, especially the speed of making credit decisions. Their extensive knowledge of products and clients is often the result of a long service period. This knowledge of employees facilitates quick and safe decision making and is one of the most valuable assets of cooperative banking [Olszewski and Morye 2013]. Employees of cooperative banks are usually people from the local environment, neighbors or friends of clients. Thanks to this, the contacts are not just business, and the offer can be more suited to the needs and expectations of the environment.

The management staff at cooperative banks draws attention to the fact that the potential employee is nice, substantive, helpful and ready for changes. She/he should treat the client as she/he would like to be treated. New employees should learn the individual approach to the client and the ability to recognize his or her needs.

Cooperative banks are mainly focused on local and regional markets, with a broadly defined mission or a bundle of priorities. Their healthy business model is often emphasized, based on relationship banking, decentralization and understanding of the needs of the local community.

OPINION OF THE CLIENTS OF COOPERATIVE BANKS ON THE SUBJECT OF FINANCIAL EXCLUSION IN THE LIGHT OF OWN RESEARCH

The aim of the study was to get to know clients' opinions on: ethical aspects of cooperative banks' functioning and their role in limiting financial exclusion by offering electronic banking services. The complementary aim was an attempt to characterize the phenomenon of financial exclusion defined as limited access of cooperative bank clients to banking services.

The survey was conducted in September and October 2015 among clients of selected cooperative banks, located in the Płock Poviát (Mazowieckie Voivodship) and Żywiecki Poviát (Śląskie Voivodship). Clients included in the survey were selected using the convenient method [Hill and Aleksander 2003]. Clients who left the bank were asked to complete the survey and expressed their willingness to answer the questionnaire. In total, 100 people from the Mazowieckie Voivodship and 32 from the Śląskie Voivodship were examined. The sample was unrepresentative. The calculations were performed in IBM SPSS 23.0. The statistical significance was $P < 0.05$.

In total 57 men and 75 women participated in the study, which constituted 43.5 and 56.5%, respectively; 22 people were in the 18–25 age group, 25 were from the age range 26–35, 34 people in the 36–45 age group, 28 people in the age group 46–55, and 18 respondents – 56–65 years, and 5 people over 66 years old. Most people lived in the village, that is 54 people, a communal village – 50 people. The largest number of people had higher vocational education (30 people) and secondary vocational education (29 people). Fifty-nine people had a permanent job. As a rule, these people were farmers (25 people) and physical workers (26 people). Most people, i.e. 37, declared that they receive a monthly net income per person in the range of PLN 1,001–1,500.

Due to the subjective scope of the study, empirical considerations assumed that the phenomenon of financial exclusion would apply to persons who have limited access to banking services and products. Respondents declared that they are clients of cooperative banks, which means that they use a narrower or wider range of the offer of these institutions. However, this offer is not always satisfactory and adapted to expect-

tations. In addition, clients face difficulties, especially those with low incomes in accessing non-cash services, loans and insurance.

Therefore, the clients of cooperative banks were asked if there was a situation where cooperative banks refused to provide banking services (Table 2). About 12% of respondents faced the situation that banks refused to provide banking services. Over 86% of the surveyed clients did not experience such a situation.

Table 2. Refusal to provide services by cooperative banks

Did the cooperative banks refuse to provide banking services?	<i>N</i>	%
Yes	15	11.4
No	114	86.4
No answer	3	2.2
Total	132	100.0

Source: Results based on own research.

The results of the analysis conducted on the basis of the survey indicate that there is a significant relationship between the gender of the surveyed clients and the refusal of cooperative banks to provide banking services (Table 3). Significantly more often, the surveyed men experienced such difficulties (19%) than women (5.4%). The distribution of responses may result from other socio-demographic features of the surveyed group, in which people living in rural areas predominated and most often are farmers

Table 3. Relationship between the gender of respondents and the refusal to provide services by cooperative banks

Did the banks refuse to provide banking services?		Gender		Total
		female	male	
Yes	<i>N</i>	4	11	15
	%	5.4	19	11.4
No	<i>N</i>	68	46	114
	%	91.9	79.3	86.4
No answer	<i>N</i>	2	1	3
	%	2.7	1.7	2.2
Total	<i>N</i>	74	58	132
	%	56.5	43.5	100

$\chi^2 = 5.847$; $df=1$; $P = 0.016$; test significant at $P < 0.05$.

Source: Study based on own research.

or physical workers who do not achieve regular income.

The marital status also significantly influenced the frequency of refusal of cooperative bank decisions (Table 4). The data presented in Table 4 confirm that, most often, the refusal to provide banking services was met by single persons (8.1%) and divorced persons, widows or widowers (26.7%). Single people are treated worse by banking institutions and, therefore, are more exposed to financial exclusion.

Table 4. Relationship between respondents' marital status and refusal to provide services by cooperative banks

Did the banks refuse to provide banking services?		Marital status			Total
		single	married	divorced / widow / widower	
Yes	<i>N</i>	6	5	4	15
	%	8.1	6.3	26.7	12.1
No	<i>N</i>	23	75	11	109
	%	83.8	90.4	68.7	82.6
No answer	<i>N</i>	2	3	1	6
	%	8.1	7.3	6.6	5.3
Total	<i>N</i>	31	83	16	132
	%	23.5	62.9	12.1	100

$\chi^2 = 7.580$; $df= 2$; $P = 0.023$; test significant at $P < 0.05$.

Source: Study based on own research.

Clients most often indicated loans and bank loans as services whose services were refused by banks (Fig. 1). This is not always the case for people who are financially excluded. The reason for refusal may be too high loan or credit amount in relation to creditworthiness. Clients sometimes optimistically assess their financial situation, which may lead to accepting too large burdens, which in the situation of limiting household income may cause financial problems. The analysis of the results of the survey did not show any significant relationships between socio-economic factors (age, sex, marital status, place of residence, professional status, income level) and types of services refused by the bank.

Clients were asked to indicate the reasons for the bank's refusal. The results are presented in Figure 2. The most common reason for the refusal to provide banking services was lack of creditworthiness

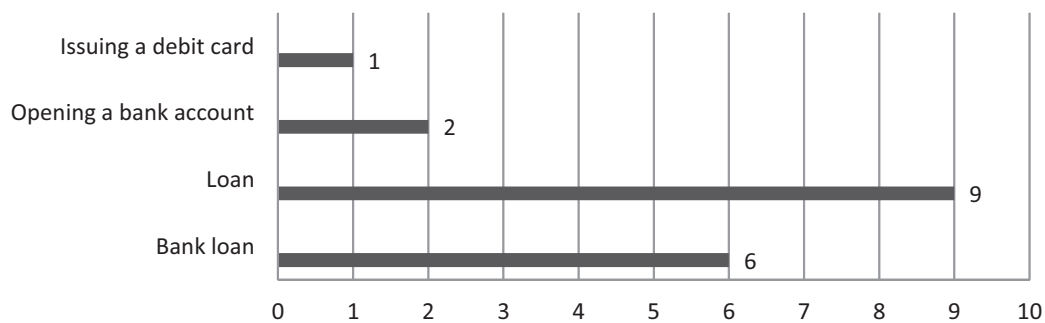


Fig. 1. Services refused by a cooperative bank (N)

Source: Study based on own research.

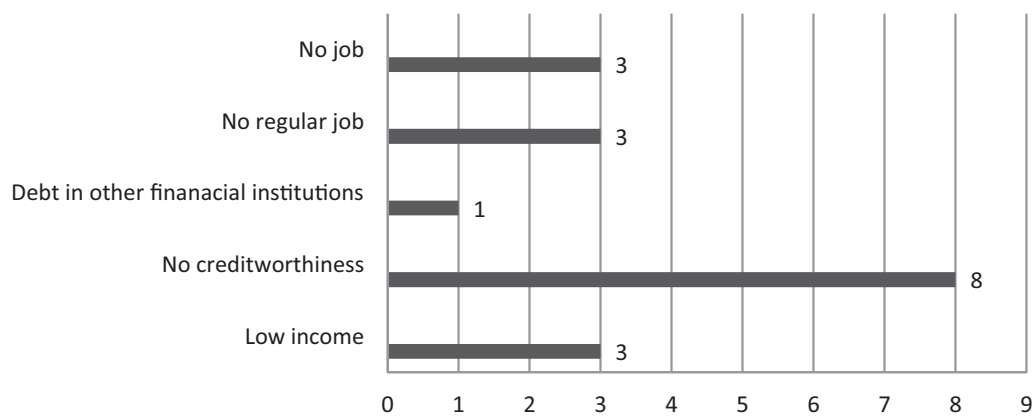


Fig. 2. Reasons for refusal from the bank (N)

Source: Study based on own research.

(8 indications). The percentage of refusals to grant a loan is undoubtedly related to the fact that banks and many financial institutions check the credibility of the client in the Credit Information Bureau. On this basis, they assess creditworthiness.

Cooperative banks try to compensate difficulties in reaching bank branches, costs related to the use of traditional banking services, with the offer of non-cash services. Banks encourage clients to use payment cards, ATMs and electronic banking, in order to limit the phenomenon of financial exclusion.

Fifty-nine surveyors declared using electronic banking services offered by cooperative banks. This represents approximately 45% of the responses given (Table 5). A high percentage (50%) of surveyed clients of the surveyed banks does not use such services. The

results indicate that many clients still have concerns about electronic channels of access to banking services. The most skeptical about modern solutions are retirees and pensioners (90% of respondents do not use this

Table 5. Using electronic banking services at cooperative banks

Specification	N	%
Yes	59	44.7
No	66	50
Bank does not offer such services	4	3
Total	129	97.7
No data	3	2.3
Total	132	100

Source: Study based on own research.

form) and people living in rural areas (67% from this group gave a negative answer) [own research].

CONCLUSIONS

The results of the conducted research indicate that a small percentage of cooperative bank clients were refused to provide a banking service. These situations most often concerned men living in rural areas and running a farm or being physical workers. Among persons excluded financially, free persons prevailed. The clients were most often refused a loan or a bank loan. The reason could be low creditworthiness resulting from the lack of regular income or failure to meet previous obligations or overly optimistic assessment of the financial situation of own household.

Cooperative banks try to popularize non-cash products among clients, which are cheaper than traditional services. Unfortunately, many clients still do not use this channel to access banking services. The reason may be the conservative mentality of clients expressed through the reluctance to modern banking solutions and concerns related to the security of transactions in electronic access channels.

The following conclusions were made on the basis of the conducted research:

1. Cooperative banks have a very important role in the distribution of banking services in small towns and in rural areas. Without them, the level of financial exclusion in Poland would be much higher, because cooperative banks are often the only financial institution located in less urbanized areas, where the degree of banking is much smaller than in larger agglomerations.
2. In order to limit financial exclusion, it is also important to overcome psychological barriers related to lack of trust in electronic channels of banking services distribution and high level of cash cultivation in rural areas. Educational initiatives undertaken by cooperative banks may be very important in this matter.
3. Skillful building of relations through the personalization of service is an element of advantage of cooperative banks. It also affects the limitation of financial exclusion, and in the broader context of social exclusion.

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PRZECIWDZIAŁANIE WYKLUCZENIU FINANSOWEMU JAKO ASPEKT ETYCZNY DZIAŁALNOŚCI BANKÓW SPÓŁDZIELCZYCH W ŚWIETLE BADAŃ WŁASNYCH

STRESZCZENIE

Głównym celem opracowania jest zaprezentowanie opinii klientów na temat etycznych aspektów działalności banków spółdzielczych w kontekście ograniczania wykluczenia finansowego. Autorka próbuje odpowiedzieć na pytania: czy klientom odmawiano świadczenia usług bankowych, jakie były przyczyny tej odmowy, czy banki spółdzielcze oferują usługi bankowości elektronicznej w celu ograniczenia wykluczenia finansowego. Podstawą empiryczną problematyki poruszonej w artykule są studium literatury przedmiotu oraz wyniki badania ankietowego przeprowadzonego wśród 132 klientów wybranych banków spółdzielczych. W opracowaniu przyjęto założenie, że klienci wykluczeni finansowo to osoby, które mają ograniczony dostęp do produktów i usług oferowanych przez banki spółdzielcze. W celu opracowania wyników badania wykorzystano następujące metody: wskaźniki struktury i test zgodności χ^2 . Na podstawie wyników przeprowadzonego badania sformułowano ogólne konkluzje. Niewielki odsetek klientów badanych banków spółdzielczych napotykał trudności w dostępie do usług bankowych. Wykluczani finansowo klienci to najczęściej mężczyźni stanu wolnego, zamieszkujący tereny wiejskie, prowadzący gospodarstwo rolne lub będący pracownikami fizycznymi. Usługi bankowości elektronicznej nie cieszą się zbyt dużą popularnością wśród klientów banków spółdzielczych, trudno więc wskazać wpływ obrotu bezgotówkowego na poziom wykluczenia finansowego klientów tych instytucji.

Słowa kluczowe: wykluczenie finansowe, etyka biznesu, banki spółdzielcze, klienci