

## **FINANCIAL EXCLUSION OF A TRANSACTIONAL CHARACTER: CASE STUDY OF THE UNEMPLOYED IN THE CITY OF PLOCK<sup>1</sup>**

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**Abstract:** Financial exclusion still constitutes a serious problem of economic and social character in Poland. The unemployed are particularly vulnerable to financial and transactional exclusion. The lack of employment and permanent income makes it impossible for them to access a wide range of banking services. Empirical research confirms that social and demographic characteristics constitute a strong differentiating factor for the level of using banking services by the unemployed in Plock. Their education, age and time during which they remain without a job influence the level of transactional exclusion. The elderly, people with elementary education or basic vocational education having the status of unemployed for at least 3 months constituted the group of unemployed with the lowest access to banking services.

**Key words:** financial exclusion of a transactional character, the unemployed, banking services.

**JEL code:** D14

### **Introduction**

The phenomenon of financial exclusion has multi-dimensional character connected with the consequences resulting from economic and social background. Several social and economic characteristics which determine financial exclusion to a large extent can be enumerated. They include: the level of education, professional status, income, age, place of residence. The unemployed are particularly vulnerable to financial exclusion.

People remaining without employment generally live on their savings, if they have any, state benefits, allowances, they are dependent on their families or illegal work is the source of their income. No income or the impossibility to document it constitute a serious obstacle in using financial services: bank credits and loans, having a bank account, performing financial operations. Low income makes it impossible for households to undertake activities aiming at improving their standard of living.

### **1. Transactional exclusion versus financial exclusion**

European Commission defines financial exclusion as the situation in which a person faces difficulties in accessing and/or using financial services and products in the scope matching their needs and enabling them to live normal social life (Report of the European Commission, 2008, p. 9). This definition presents negative effects of financial exclusion, which often leads to social exclusion and makes it impossible for citizens to properly function in the society. This phenomenon may also result in lower income and lower standard of living.

When it comes to the segments of financial products, World Bank enumerates the following fields of financial exclusion: transactional banking, savings, credits, insurance (Report of the European Commission, 2008, p. 11). It is worth to emphasize that financial exclusion in the field of transactional banking may be graded basing on the scope and intensity of using different types of services by consumers. For this reason, the European Commission points out to several levels of financial exclusion (A. Kurczewska, 2011, p.55):

- the first refers to those who do not use any banking services at all;
- the second to those who own a bank account, but they do not use many of its options, such as for example online banking services and debit or credit cards;

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- the third concerns to individuals who have the access to a wide range of banking services, but these services are not fully adapter to their needs or social and economic status.

Basing on the definitions presented above it can be assumed that financial exclusion of a transactional character refers to the condition in which individuals or social groups experience the lack of access or limited access to such banking services as a bank account and its functionalities, online banking services, debit cards.

## **2. Methodology and course of the research process**

The aim of the paper consists in the attempt to determine the level and scale of financial exclusion of a transactional character in Poland at the example of the city of Plock. The suggested definition of financial exclusion of a transactional character served as a starting point for developing the concept for the measurement of this phenomenon. Basing on three types of including consumers in the field of transactional banking enumerated by M. Polasik and A. Piotrowska (2014, p.319), the following systematics of the levels of using banking services was adopted, demonstrating as well the level of exclusion of the unemployed:

- deprived of the access to banking services (suffering from exclusion) – these individuals do not own a bank account and they do not use other banking services;
- with too little access to banking services (suffering from partial exclusion) – they own a banking account, but do not use debit cards and online banking services or use them to a limited extent or individuals who do not own their banking account, but use the remaining services;
- having sufficient access to banking services (included) – they own a bank account, use debit cards and online banking services.

Empirical research was realized under the form of a questionnaire addressed to the unemployed registered in the Municipal Employment Office (MUP) in Plock. According to the state of affairs at the end of August 2018, 4319 persons were registered in the MUP in Plock (Report, 2018, p. 1). 350 unemployed persons were in total covered by the survey, which made it possible to obtain a representative sample allowing to make conclusions concerning the entire population of the unemployed in Plock with the accuracy of 5 %. Persons covered by the questionnaire were selected following the convenience sampling method (Hill and Aleksander, 2003, p. 126). The unemployed who expressed the will to answer the questions included in the questionnaire were asked to fill it in. The survey was conducted in the period between September and October 2018.

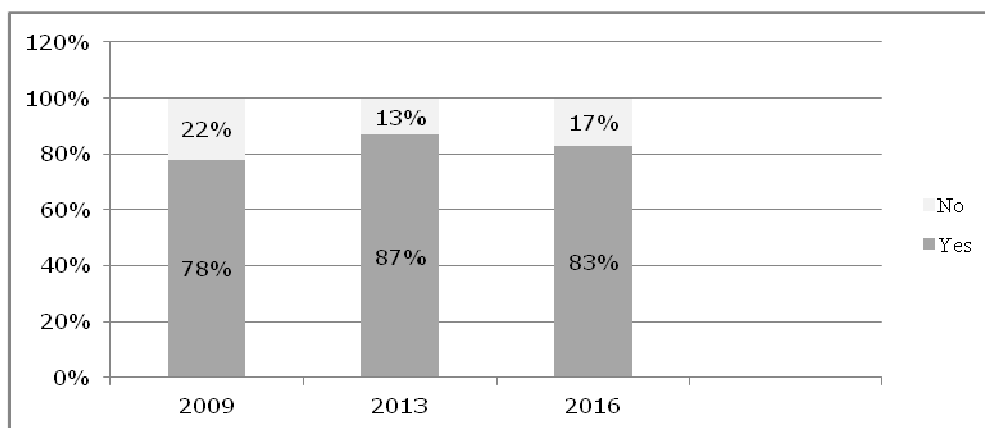
Statistical significance threshold was traditionally assumed at the value of 0.05. Statistical significance of the analysed relationships was calculated basing on the likelihood ratio used for analysing the relationships between categorical variables, i.e. those which divide those surveyed into groups when some of the specified categories include a limited number of representatives. Statistically significant relationships were complemented with the values of V. Cramer's effect size. The interpretation of the value of this gauge depends on the number of persons surveyed and the number of groups compared.

350 respondents took part in the survey, including 221 women (63.1 %) and 129 men (36.9 %). The biggest number of those surveyed had secondary school education – 46.3 %, while the smallest elementary education – 5.1 %. 21.4 % of respondents claimed to have obtained basic vocational education, while 25.7 % university education. The biggest number of those surveyed (30.5 %) were registered in MUP in Plock for several weeks. The group of those registered for up to 3 months was represented by 12.3 % of the unemployed, while the group of those registered for over 3 months – 18.6 %. Persons remaining without employment for a year or a few years represented respectively

the group of 14.3 % and 19.7 %. The most frequently mentioned reason for registering in MUP in Plock was giving up the job in order to search for a better paid one – 26.3 %, the least frequent of the reasons mentioned was the liquidation of their previous workplace – 10.6 %. Respondents receiving unemployment benefit registered at the Municipal Employment Office in Plock represented only 15.4 % of the total of respondents.

### 3. Presentation of research results

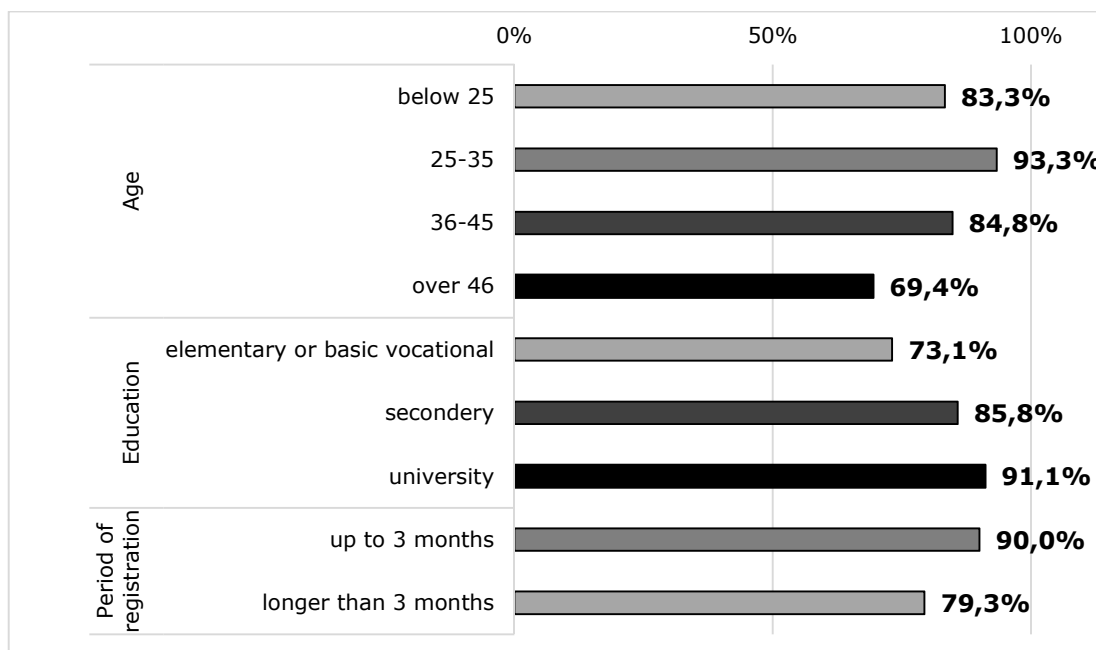
According to the report by Narodowy Bank Polski (Central Bank of the Republic of Poland), in 2016 83 % of the Poles surveyed declared to own a bank account (D. Maison, 2017, p.11).



Source: author's calculations based on: D. Maison, 2017, p. 11

Fig. 1. Population share owing a bank account in Poland in the years 2009-2016

Nearly 17 % of adult Poles did not own a bank account, even if this percentage decreased in comparison to 2009. The highest level of access to banking services was recorded among the respondents aged 25-54 and having university education. The highest level of financial exclusion is observed in this field among the eldest respondents, those with elementary education as well as the unemployed and the inhabitants of rural area. It is however necessary to notice that in the years 2009-2016, percentage of the owners of bank accounts increased to the greatest extent among the elderly (D. Maison, 2017, p.15).



Source: author's study

Fig. 2. Using bank services and the age, education and period of being registered in MUP in Plock

Basing on the result of the survey it can be concluded that 83,4 % of unemployed respondents in Plock were the clients of banks. These data are consistent with overall national results in Poland.

Respondents aged over 46, with elementary or basic vocational education, registered in the employment office longer than 3 months would use banking services the least frequently. Basing on the values of the likelihood ratio, statistically significant correlations between using banking services and the age of respondents were reported:  $\chi(8) = 24.97, p < 0.01, V(8) = 0.19, p < 0.01$ , in connection with the education:  $\chi(6) = 14.84, p < 0.05, V(6) = 0.15, p < 0.05$  and the period of being registered in the employment office:  $\chi(4) = 10.35, p < 0.05, V(4) = 0.12, p < 0.05$ .

The next question made it possible to assess the level of access to banking services. Respondents would point to the scope of financial services used by them (Table 1).

Table 1

**Scope of banking services used by the unemployed**

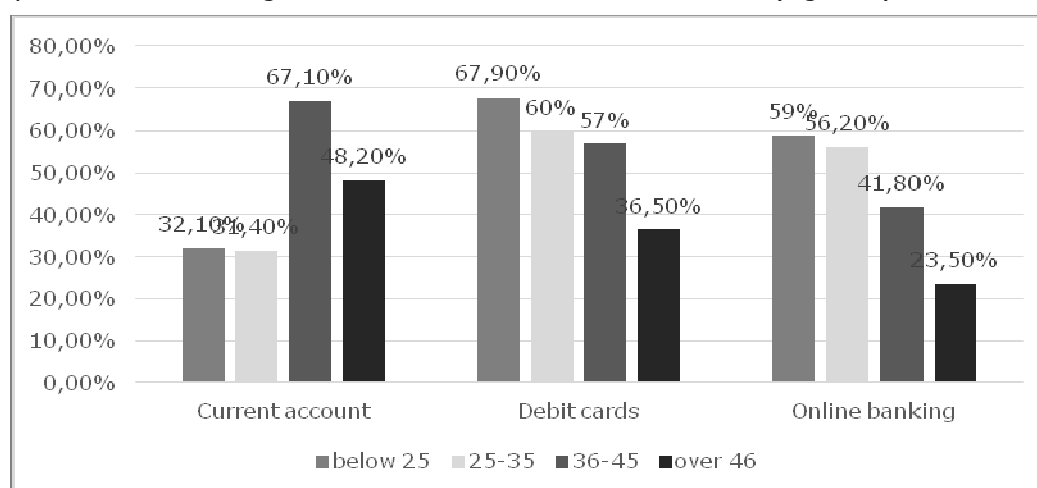
Banking products	Number of respondents	Percentage of respondents
Current account	175	50 %
Debit cards	194	55.4 %
Online banking	158	45.1 %

Source: author's study.

The survey made it possible to assess the number of unemployed in Plock who hold a current account (50 %). An interesting issue consists in bigger popularity of using debit cards than having a current account. It may result from the fact that a part of respondents use banking accounts together with other members of their families. This thesis may be confirmed by the results of overall study conducted in Poland in 2016 which demonstrates that 22 % of Poles refer to this reason of not having a bank account (D. Maison, 2017, p. 22). A positive aspect is a relatively high percentage of the unemployed using online banking services – 45.1 %.

Demographic as well as social and economic factors influence the level of access to banking services by the unemployed. The age, education as well as period of being registered in the Employment Office significantly differentiate the level of using banking services.

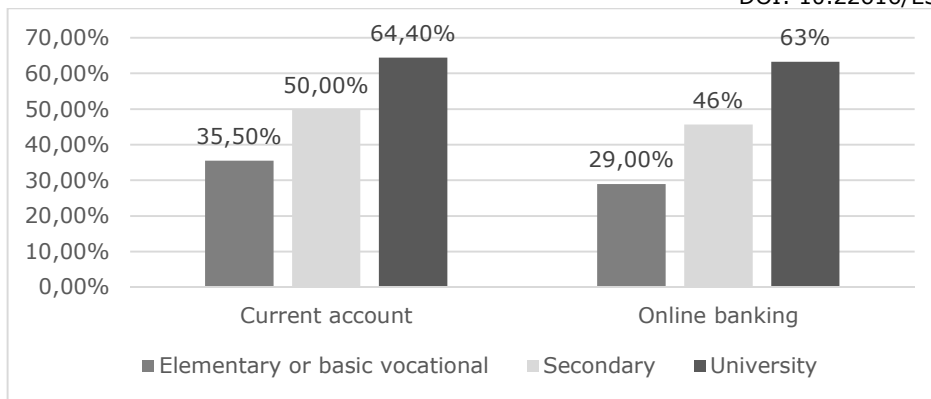
The youngest respondents (below 25 years of age) would own a bank account the least frequently, but they used online banking services and debit cards the most often (Figure 3).



Source: author's study

Fig. 3. Using banking products depending on the age of respondents

Statistically significant correlations were obtained between the age of those surveyed and using bank accounts:  $V(8)=0.26, p < 0.001$ , using debit cards:  $V(8)=0.21, p < 0.001$  and using online banking services:  $V(8)=0.25, p < 0.001$ . It is worth noticing that the persons with university education represent the group with higher level of access to banking services (Figure 4).

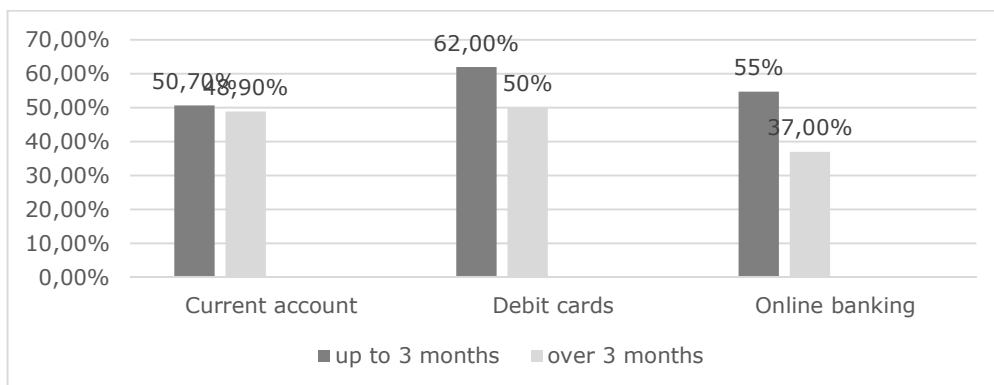


Source: author's study

Fig. 4. Using banking products and the education of respondents

Statistically significant correlations were obtained between the education of respondents and using bank accounts:  $V(6)=0.17$ ,  $p<0.01$ , using online banking:  $V(6)=0.21$ ,  $p<0.001$ . Data presented on Graph 4 demonstrate that the unemployed with elementary or basic vocational education constituted a group of clients who least frequently owned bank accounts and using online banking services.

It should be noticed that the period of remaining without employment had the influence on the clients' activity in the field of using banking services (Figure 5).



Source: author's study

Fig. 5. Using banking products and the period of being registered in MUP in Płock

Respondents being registered as unemployed for over than 3 months would significantly less frequently use subsequent banking services. Statistically relevant correlations were obtained between the period of being registered in Municipal Employment Office (MUP) in Płock and using bank accounts:  $V(4)=0.13$ ,  $p<0.05$ , using debit cards:  $V(4)=0.13$ ,  $p<0.05$  and using online banking services:  $V(4)=0.15$ ,  $p<0.01$ .

### Conclusions, proposals, recommendations

In spite of a huge progress in the last years connected with using bank accounts, different forms of online banking and debit cards, there still exists a group of citizens deprived of the access to these services or voluntarily resigning from this opportunity. The reluctance towards having a bank account and big popularity of cash operation demonstrate that the level of financial exclusion of a transactional character still remains high, both with reference to the entire population of Poland (ca. 17 %) as well as to the unemployed in Płock (ca. 16.6 %).

Basing on research results, the level of access to banking services by the unemployed in Płock looks as follows:

- individuals not using banking services – 16.6 %;

- individuals using banking services in a limited scope – 33.3 %;
- individuals with full access to banking services – 50.1 %.

A positive signal consists in the fact that a half of respondents use different forms of banking services.

The analysis of empirical data obtained confirmed strong diversification of the level of financial exclusion of a transactional character in connection with: the age, education and the period of being registered as unemployed. Respondents with elementary or basic vocational education, aged over 46 and remaining without employment for longer than 3 months may be considered as having the lowest access to banking services, i.e. the most vulnerable to financial exclusion of a transactional character. Younger individuals (up to 35), with university education, having the status of an unemployed for a short period of time (up to 3 months) are much more willing to use online banking services and debit cards. This group may be considered as having the biggest access to banking services.

The results obtained in connection with the scale and level of financial exclusion of a transactional character among the unemployed encourage to suggest the activities which would aim at preventing this phenomenon. Important increase in the access to banking services could be achieved thanks to an educational campaign which would convince those reluctant to use banking services. What is more, banks should be more flexible in adapting their offer to clients' needs.

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