

INNOVATIONS

Why unbanked? Demographic factors, Awareness and Other reasons

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Abstract

Nowadays, banking the unbanked has become critical for developing countries like Ethiopia, as most of the households do not hold bank accounts with conventional banks due to several factors. As a result, a huge amount of money circulates outside the banking system and limit the intermediation role of banking institutions. This study aims at determining unbanked individuals' banking services level of awareness, reasons for being unbanked and the effect that demographic factors has on their intentions to use banking services in Ethiopia. The study was conducted in selected three regions of Ethiopia using multi-stage cluster sampling technique. Questionnaires were distributed and collected from 384 unbanked respondents in the three regions. Factor analysis, t-test and ANOVA tests were adopted in order to analyse the data. The findings indicate that the degree of awareness of both conventional and e-banking services by the unbanked individuals is significantly very low. In addition, the result indicates language barrier, financial literacy, a lack of physical access to banking, a low income relative to the cost of services, limited services offered, no proper networking and lack of awareness are the main reasons for being unbanked. Moreover, unbanked individuals' level of education and occupation significantly affect their intention to use banking services. Therefore, Ethiopian banking sector should consider these factors while taking measures to bring the unbanked to the banking system and ensure that the bank services meet the requirements of the people at their respective levels of awareness, occupation and literacy. Additionally, it is recommended that the banking sector should develop financial educational programmes and work extensively on creating accessibility for the community to bank the unbanked.

Key words: 1.unbanked 2.Banking services 3. Demographic factors 5.Marketing

JEL Classification: E21, G21, M31, J11

1. Introduction

Banking business play a key role in enhancing economic growth of a country by directing financial resources from the surplus unit to those with more productive areas (Eshete, Tesome, & Abebe, 2013). Banks have a vital role to play in enhancing development, as distributors of funds from savers to borrowers and also facilitate entry to entrepreneurial activities by making capital accessible to the market (Cheng, 2006). They also offer required financial services to individuals and businesses, which include collection, custodianship, safeguarding of savings made by depositors and delivery of disbursement services (Saritha, 2011).

However, in developing countries like Ethiopia, people prefer to keep their money at home rather than keeping it in safe custody with banks, which may be unproductive, risky or inconvenient. Due to the fact that many donors and governments believe that bringing people into formal financial mainstream benefit both individuals and country, today, institutions like the International Monetary Fund (IMF), World Bank, United Nations and Alliance for Financial Inclusion set goals, both at country and institutional level, for enhancing access to financial services. However, a significant proportion of people are still found unbanked.

According to IMF (2016), only 21.8 percent of population (age 15+) have bank account in financial institutions in Ethiopia, which is below the average (22.3 percent) for low income countries. This clearly indicates that many people do not have bank accounts and remain unbanked in the country, which can

limit the activity of banks channelling financial resources from surplus to scarce units. Furthermore, it is observed that, in Ethiopia, access to finance remains a top barrier for business. The reports of Geiger & Moller, (2015) revealed that young and small firms seem to face more serious financial limitations. This may be due to absence of financial intermediation by the banking sector through mobilizing savings from the community to finance entrepreneurs. Such role requires the banking sector, particularly Ethiopian banks, to design strategies to bring money circulated outside the banking system into formal financial mainstream. For this reason, why significant portion of people are remained unbanked and those factors influencing the unbanked individuals' intention to use banking services need to be determined in order to bring them into the banking system and mobilize financial resources that would be injected into the economy.

In general, identifying reasons for being unbanked and factors influencing the unbanked intention to use banking services has a significant contribution for the Ethiopian banking sector. Therefore, the purpose of this study is to determine unbanked individuals' level of awareness of banking services, reasons for being unbanked and the effect of demographic factors on the unbanked individuals' intention to use banking services in Ethiopia.

2. Literature review

Many studies have been conducted to determine the important factors that could affect the intention of customers to use or adopt various banking services (Alalwan, Rana, Dwivedi, Lal, & Williams, 2015). However, studies that are particularly focused on the unbanked consumers are limited (Siddik, Sun, Yanjuan, & Kabiraj, 2014). According to Joseph (2014) and Djankov et al. (2008), a significant number of households in developing countries do not have savings accounts with banks. Breitbach & Walstad (2014) called these households, who are out of the formal financial mainstream, the unbanked.

Unbanked is usually used as a term to describe various groups of individuals who operate financial transactions outside the formal banking mainstream due to various reasons (Caskey, 2002). According to Anderson & Huerta (2014), the unbanked refers to any person who does not have a savings or checking account. Current literature on banking has found a relatively consistent definition of the unbanked household, which is an individual or household who do not have any formal bank accounts and operate mostly outside the banking system when making financial transactions (Breitbach & Walstad, 2014; Matul, Szubert, Cohen, & Mcguinness, 2006; Rhine & Greene, 2013; and Wambua & Datche, 2013).

Several studies (Barr, 2002; Bruhn & Love, 2009; Goodstein & Rhine, 2013; Hogarth, Anguelov, & Lee, 2003; Lusardi, Annamaria, & Mitchell, 2014; Sain, Rahman, & Khanam, 2013) in financial marketing agrees that being part of the unbanked population is a problem because individuals have no means of accumulating assets and develop financial knowledge. Wealth building requires having financial tools and a means of saving (Anderson & Huerta, 2014). This is the reason why an individual should be in the formal financial mainstream.

There are many strategies and financial innovations that could get people into the financial mainstream: lifeline banking, mobile banking, promoting financial education and increasing the number of banks in low income areas (Rhine & Greene, 2013; Walker, 2014; Zwedu, 2014). However, it is revealed that banking involvement mainly depends on demographic, financial knowledge and socioeconomic variables (Bernheim, Douglas, & Garrett, 2003; Breitbach & Walstad, 2014; Goodstein & Rhine, 2013), with demographic factors being among the most common causes for a household being unbanked (Rhine & Greene, 2013).

Therefore, the following sections elaborate on the unbanked individuals' characteristics in terms of demographic factors, level of financial literacy and factors which make them unbanked. As a result, the theoretical understanding of the unbanked individual's characteristics will be developed, which can be used to empirically examine the Ethiopian case.

Demographic characteristics

Demographic factors influence the decision of individuals to use or not to use different banking services (Maitlo, Kazi, Khaskheley, & Shaikh, 2015). For instance, individuals with high level of education are expected to have sufficient knowledge and skill about banking services and can easily decide to use them. Whereas illiterates may face difficulty to understand banking services and keep themselves out of the financial mainstream. Nasri (2011) also stated that demographic factors (such as age, gender, income, occupation and education) significantly influence the consumer behaviour and intention to use

banking services. According to this researcher, there is a significant impact that demography of individuals has on their intention to adopt internet banking services. Adding to this, Djankov, Miranda, Seira, & Sharma (2008) believed that the unbanked people's demographic characteristics will determine their level of participation in the banking system.

Results from different studies shows that unbanked households were significantly more likely to be unmarried (Caskey, 2002; Liew, 2006; Matul et al., 2006; Rhine & Greene, 2013), relatively earn low monthly income (Anderson & Huerta, 2014; Grinstein-Weiss, Yeo, Despard, Casalotti, & Zhan, 2010), and have increased number of dependents (Coetzee, 2009; Inganga, Ombui, Tirimba, & Njeru, 2014; Rhine & Greene, 2013). Another study conducted on the behavioural intention of banking services adoption found that there is no significance difference between male and female as both seems to be more willing to adopt the services. On the other hand, the study identified educational level of respondents has influence on their behavioural intention to adopt. Accordingly, those respondents with higher level of education exhibit the highest rate of behavioural intention and vice versa (Alalwan et al., 2015). Additionally, Nasri (2011) also identified the demographic factors that significantly impact consumer behavioural intention to use banking services, and specifically found occupation and instruction as significant determinants.

In some of other studies, the effect of age and gender on intention to use different banking services is found to be insignificant (Anderson & Huerta, 2014; Barr, 2002; Breitbach & Walstad, 2014; Inganga et al., 2014; and Krishanan, Teng, & Khalidah, 2017); whereas some researchers found significant effect particularly on intention to use banking services based on technology like mobile and internet banking (Abdinoor & Mbamba, 2017; Alalwan et al., 2015; Li & Lai, 2011). Other researchers studied the effects of socio-demographic variables on consumer use of mobile money transfer found that education level and employment status contribute significantly, whereas factors like gender, age and income level do not really matter (Marumbwa, 2014). In support of this, Djankov et al. (2008) and Bernheim et al. (2003) identify demographic variables like level of education and occupation strongly determine whether a household is unbanked or not. Hogarth, Anguelov, & Lee (2003) identified that the likelihood of being unbanked is also affected by certain family characteristics like larger families having a higher probability of being unbanked. This may be due to inadequate income, which makes individual households to operate out of the financial mainstream.

Financial service knowledge and awareness

According to Barr (2002), the demographic factor of households is not the only significant factor causing banking participation, the awareness level of the banking services also plays a key role as a determinant in predicting whether a household is unbanked. Researchers (Lusardi et al., 2014; Rhine & Greene, 2013; Rico, 2009; Bernheim et al., 2003) have investigated households' overall financial knowledge and the results indicate that those with a higher awareness and knowledge were significantly less likely to be unbanked.

Similarly, Grimes, Rogers and Smith (2017) state that individuals who have a higher level of understanding about basic banking services were less likely to be unbanked. It is further concluded that an individual's understanding of the banking system is an important determinant of whether to use or not to use banking services. Garcia-Murillo and Annabi (2002) also believe that the consumers' knowledge of a product or services influences their decision to use or not. Thus, the consumer with a high level of awareness will tend to use the services more than someone who has a low awareness of the services (Tai & Liu, 2015). Additionally, Marcketti and Shelley (2009) identify that the knowledge of the users about the product or services has a significant influence on their intention to use. In general, the awareness of the individuals helps them to ascertain what banking can do for them and consider their gain from using the services, compared to other alternatives. Therefore, banking service providers need to understand the level of awareness of the consumers about the services they provide and take measures that will enhance their level of awareness.

Reasons for being unbanked

According to Inganga et al. (2014), people remain unbanked due to several reasons and they are many and complex. Thus, without understanding them, it would be difficult to understand the barriers to being banked (Gupta & Negi, 2014).

Hogarth, Anguelov & Lee (2003) categorise the cause of being unbanked into four categories: product design, human capital, product motivation and institutional constraints. Product design includes high minimum balance required and high service fees, as well as not writing enough checks as reasons for not having an account. Human capital is defined as “poor credit” or “can’t manage account”. Product motivation consists of the reasons like “lack of money” and “no need for a checking account”. The last category is institutional constraints, which include reasons like “don’t like dealing with banks” and “no convenient hours or location”.

Moreover, Anderson and Huerta (2014) believe that language barriers or cultural differences may also cause people to remain unbanked. The studies of Djankov *et al.* (2008) also reveal that the employment status of the individual is a strong predictor of whether individuals are banked or unbanked. Accordingly, the individuals who are “unemployed – looking for a job” are the least likely to have a bank account.

According to the study of Bloomberg and Mintz (2008), lack of sufficient income, costs related to using a bank account, required documents, convenient location and business hours were the main barriers, which make individuals unbanked. Additionally, Marumbwa (2014) identifies that lower levels of education and lack of access to proper information channels may lead households to lower participation in the financial mainstream. Another researcher, Caskey (2002), indicates that being in the marginalised group and work in the informal sector are the causes of being unbanked. Thus, banking firms should understand these reasons which make individuals unbanked in order to design proper marketing strategies to solve the reasons and bring the unbanked consumers to the banking system and mobilise domestic resources.

In general, it is understood that demographic characteristics and financial services awareness level of individuals determine their decision of remained unbanked. Thus, studying these factors is significant as it provides informed analysis and will contribute for practitioners to be aware of it and design appropriate strategies to influence consumer behaviour. In addition, this study will identify the major reasons for being unbanked, which will help banking sectors to consider in their effort to bring individuals to the banking system. Moreover, this study focuses on unbanked individuals’ demographic factors, bank services awareness level and reasons for being unbanked; which limited number of research has been conducted. Therefore, it adds value to the existing literature on the field of banking the unbanked.

3. Methodology

The population of this study comprise of individuals who do not have bank accounts in Ethiopia. Due to the size of the country, multi-stage cluster sampling technique was employed to select sample regions and establish data collection sites. Accordingly, three regions, including Oromia, Amhara and Southern Nations and Nationalities People (SNNP) were selected. These regions were selected purposively based on their representation of more than 95% of the population in the country, who take the lion share in contributing to the national economy and they are the business-hub where almost all banks are currently operating and extensively expanding their branches to provide access to banking services. Finally, a sample of 384 unbanked individuals were selected conveniently from the three regions.

Using questionnaires, data related to demographic factors, bank services level of awareness, reasons for being unbanked and intention to use banking services were gathered from the selected samples. A five-point Likert scale was used to evaluate the bank services awareness level, reasons for being unbanked and intention to use banking services of respondents.

The results were analysed by using one sample *t*-test, independent sample *t*-tests and one-way ANOVA to determine the effect of the unbanked individuals’ demographic factors on their intention to use banking services. In addition, a one sample independent *t*-test was conducted to identify the reasons respondents significantly agreed and disagreed and the reasons were ranked based on the average score of the respondents’ level of agreement. Moreover, a single measures were formed, and factor analysis was done on these single measures to determine on which group of items the unbanked individuals’ level of awareness is worst and vice versa.

4. Results

Unbanked respondents' level of awareness of banking services

The level of awareness of banking services plays an important role in making banking service utilisation decisions. This section analyses the responses of the unbanked respondents on their level of awareness of banking services and determines which services are the most or least known. The data were collected using the Likert scale, running from 1 (unknown) to 5 (very well-known).

The one sample t-test was applied by comparing the average score of each item against 3 to test if the service is 'significantly better known' or 'significantly lesser known'. Thereafter, single measures were formed, and factor analysis was done on these single measures to determine on which group of items the unbanked individuals' level of awareness is worst and vice versa. The results are presented in tables 1, 2 and 3.

Table 1. One sample t-test of unbanked level of awareness of banking services

One sample test						
Banking services	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Deposit collection	384	2.84	1.216	-2.643	383	.009
Granting loans	384	2.78	1.224	-3.543	383	.000
Money transfers	384	2.71	1.261	-4.531	383	.000
ATM services	384	2.15	1.163	-14.262	383	.000
Tax collections	384	2.23	1.157	-12.965	383	.000
Pension payments	384	2.21	1.185	-13.047	383	.000
Mobile banking services	384	1.97	1.092	-18.556	383	.000
Investment advice	384	1.86	1.107	-20.107	383	.000
Internet banking services	384	2.44	1.188	-9.191	383	.000
Point of sales services	384	1.88	1.062	-20.758	383	.000
Agency functions	384	1.53	.673	-42.679	383	.000

Source: Field data (2016)

Table 1 above, the result of an independent sample t-test conducted, indicate that the unbanked individuals' level of awareness of banking services was significantly lesser known. Specifically, while there is a significantly low awareness of all the banking services, further analysis indicates that the unbanked individuals' level of awareness on agency function (M = 1.53, SD = .673), t (383) = -42.679, p < .0005, point of sales services (M = 1.88, SD = 1.062), t (383) = -20.758, p < .0005, investment advice (M = 1.86, SD = 1.107), t (383) = -20.107, p < .0005, and mobile banking services (M = 1.97, SD = 1.092), t (383) = -18.556, p < .0005 are significantly worst known than the others.

Further analysis was conducted to determine on which group of services the level of awareness was high or low. Factor analysis was done for this purpose. Initially, the factorability of the 11 banking service items was examined. First, all the items were correlated, and the coefficients are at least .3 with one other item, suggesting reasonable factorability. Second, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was .893, which is above the recommended value of .6 and the Bartlett's test of sphericity was significant (χ^2 (383) = 3058.482, p < .05), indicating that the correlation of variables is acceptable. Last, the commonalities were all greater than .3, further endorsing that each item shared some common variances with the other items. Considering all these indicators, the factor analysis was undertaken with all 11 items. Table 2 below presents the output from the final factor analysis.

By applying the factor analysis with the oblimin rotation (indicating that the factors are correlated) yielded two factors. The two factors account for 75.84% of the variance in the data. The factors are labelled, considering the nature of the services and the extracted factors were categorised as e-banking and conventional services. Accordingly, this naming was retained for the two factors as shown in Table

2. In the process, there is some cross-loading of items and due to this, one item is excluded from the factor analysis.

Table 2 Level of awareness of banking services factor analysis

Pattern Matrix^a		
	Factor	
	E-banking services	Conventional banking services
Point of sales services	.925	
Mobile banking services	.902	
Internet banking services	.853	
Agency functions	.739	
ATM Services	.598	
Money transfer		.979
Granting loans		.941
Deposit collection		.901
Investment advice		.558
Pension payments		.508

Extraction Method: Principal Axis Factoring.
 Rotation Method: Oblimin with Kaiser Normalisation.
 a. Rotation converged in seven iterations.

Source: Field data (2016)

The internal consistency of each of the scales was examined using the Cronbach's alpha. The alphas for the e-banking factor was 0.900 and 0.905 for the conventional banking factor, which indicates that both factors are reliable since their Cronbach's alpha value is greater than 0,7. This gave a good idea of testing the unbanked individuals' level of awareness to identify on which factor the awareness is better or worse (tested below). The one sample *t*-test is applied to test the respondents' knowledge of e-banking and conventional banking services and the results are presented in Table 3.

Table 3 indicates that there is a significantly lower awareness of the unbanked individuals of e-banking services ($M = 1.88$, $SD = .874$), $t(383) = -25.153$, $p < .0005$ and conventional banking services ($M = 2.60$, $SD = 1.034$), $t(383) = -7.667$, $p < .0005$. This clearly implies that while the knowledge of the unbanked individuals on both service categories are significantly lower, their knowledge of e-banking services is worse than conventional banking services.

Table 3 Respondents' knowledge of conventional and e-banking services

One Sample test						
				Test Value = 3		
	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
E-banking services	384	1.88	.874	-25.153	383	.000
Conventional banking services	384	2.60	1.034	-7.667	383	.000

Source: Field data (2016)

Reasons for being unbanked

It was critical to ascertain the reasons why the individuals are unbanked since knowing the reason would help the banking sectors to design working strategies that could adequately address the problem. Respondents were requested to rate their level of agreement on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) of the potential reasons that prevent them from entering the

banking system. Based on their responses, a one sample independent *t*-test was conducted and the reasons why the respondents significantly agreed and disagreed were identified. Moreover, the reasons were ranked based on the average score of the respondents' level of agreement. The results of the analysis were presented in tables 4 and 5, respectively.

Table 4 indicates that there is a significant agreement that language barriers ($M = 3.30, SD = 1.126$), $t(383) = 5.304, p < .0005$, distrust in banks ($M = 3.60, SD = 1.136$), $t(383) = 10.332, p < .0005$, financial literacy ($M = 3.72, SD = 1.066$), $t(383) = 13.261, p < .0005$, lack of physical access to banking ($M = 3.63, SD = 1.074$), $t(383) = 11.401, p < .0005$, low income relative to the cost of services ($M = 3.58, SD = 1.208$), $t(383) = 9.476, p < .0005$, limited services offered ($M = 3.57, SD = 1.209$), $t(383) = 9.285, p < .0005$, no proper networking ($M = 3.62, SD = 1.212$), $t(383) = 10.022, p < .0005$, and lack of awareness ($M = 3.73, SD = 1.245$), $t(383) = 11.521, p < .0005$ are the reasons for being unbanked. However, there is a significant disagreement that lack identification documents ($M = 2.17, SD = 1.026$), $t(383) = -15.913, p < .0005$, rejected in the past ($M = 2.42, SD = 1.133$), $t(383) = -10.046, p < .0005$, cost is too high ($M = 2.48, SD = .993$), $t(383) = -10.276, p < .0005$, cultural barriers, such as religion ($M = 2.45, SD = 1.208$), $t(383) = -8.998, p < .0005$, length of time to receive money from a payroll check ($M = 2.64, SD = 1.179$), $t(383) = -5.973, p < .0005$, minimum required balance too high ($M = 2.44, SD = 1.157$), $t(383) = -9.438, p < .0005$, poor time management ($M = 2.58, SD = 1.198$), $t(383) = -6.818, p < .0005$, and large number of dependents ($M = 2.50, SD = 1.149$), $t(383) = -8.569, p < 0.0005$ are the reasons why the unbanked individuals are out of the banking system.

Table Error! No text of specified style in document. Reasons for being unbanked

One Sample test						
	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Lack of identification documents	384	2.17	1.026	-15.913	383	.000
Language barrier	384	3.30	1.126	5.304	383	.000
Distrust banks	384	3.60	1.136	10.332	383	.000
Financial Literacy	384	3.72	1.066	13.261	383	.000
Rejected in the past	384	2.42	1.133	-10.046	383	.000
Cost is too high	384	2.48	.993	-10.276	383	.000
Lack physical access to banking	384	3.63	1.074	11.401	383	.000
Low income relative to the cost of services	384	3.58	1.206	9.476	383	.000
Cultural barriers such as religion	384	2.45	1.208	-8.998	383	.000
Length of time to receive money from a payroll check	384	2.64	1.179	-5.973	383	.000
Limited services offered	384	3.57	1.209	9.285	383	.000
Minimum required balance too high	384	2.44	1.157	-9.438	383	.000
Poor time management	384	2.58	1.198	-6.818	383	.000
No proper networking	384	3.62	1.212	10.022	383	.000
Lack of awareness	384	3.73	1.245	11.521	383	.000
Large number of dependents	384	2.50	1.149	-8.569	383	.000

Source: Field data (2016)

Based on the average agreement score, the reasons for being unbanked can be ordered from greatest reason to least reason, as indicated in Table 5. From this, one can understand that the unbanked individuals' knowledge of banking services (awareness and financial literacy) take the greatest role in preventing the individuals to use the banking system, followed by the physical accessibility of banking services.

Table 5 Reason for being unbanked in order from greatest to least

Reason	Agreement score
Lack of awareness	3.73
Financial literacy	3.72
Lack of physical access to banking	3.63
No proper networking	3.62
Distrust banks	3.60
Low income relative to the cost of services	3.58
Limited services offered	3.57
Language barrier	3.30
Length of time to receive money from a payroll check	2.64
Poor time management	2.58
Large number of dependents	2.50
Cost is too high	2.48
Cultural barriers such as religion	2.45
Minimum required balance too high	2.44
Rejected in the past	2.42
Lack of identification documents	2.17

Source: Field data (2016)

Demographic factors and intention to use banking services

Table 6 presents the demographic distribution of unbanked respondents in this study. As indicated, 5.7% of respondents are between 18 to 25 years old, 35.2% are between 26 to 35 years old, 27.9% are between 36 to 45 years old; between 46 to 55 years old constitute 24% and the rest 7.3% are above 55 years old. The proportion of male are 59.6%, whereas 40.4% of them are female. Regarding educational level, only 23.7% hold bachelor degree and above. Most of them are employees in non-government offices and farmers, which accounts for 38.5% and 21.4% respectively. In terms of the employment sector, 89.8% of them are working in the formal sector, whereas the rest 10.2% are from the informal sector. Respondents earning a total monthly income of between 3501 to 4500 Ethiopian birrs accounts for 29.9%, whereas 8.1%, 28.1%, 28.4% and 5.5% of these respondents earn below 1000 birr, 1000 to 2500 birr, 2501 to 3500 birrs, and above 4500 birrs, respectively. While 41.4% are married, 42.7%, 10.7%, and 5.2% are unmarried, divorced and widowed, respectively. Moreover, 53.9% have a number of dependents from 1 to 3, whereas 22.4% have no dependents, 17.2% have 4 to 6 dependents and 6.5% have more than six dependents.

Table 6. Demographic characteristics of unbanked individuals

				Frequency	Percent					Frequency	Percent
Age		Frequency	Percent	Level of education	Illiterate	18	4.7	Total Monthly income (in birr)	Below 1000	31	8.1
	18-25	22	5.7		Primary school	32	8.3		1000 - 2500	108	28.1
	26-35	135	35.2		High school	101	26.3		2501 - 3500	109	28.4
	36-45	107	27.9		Diploma	142	37.0		3501 - 4500	115	29.9
	46-55	92	24.0		Bachelor's degree	80	20.8		Above 4500	21	5.5
	Above 55	28	7.3		Post graduate degree	11	2.9		Total	384	100.0
	Total	384	100.0		Total	384	100.0				
Gender		Frequency	Percent	Occupation		Frequency	Percent	Marital status		Frequency	Percent
	Male	229	59.6		Teacher	17	4.4		Married	159	41.4
	Female	155	40.4		Student	47	12.2		Unmarried	164	42.7
	Total	384	100.0		Businessman	23	6.0		Divorced	41	10.7
					Employee in government office	63	16.4		Widowed	20	5.2
Employment sector		Frequency	Percent	Employee in non-government office	148	38.5	Total	384	100.0		
	Formal sector	345	89.8	Farmer	82	21.4		Frequency	Percent		
	Informal sector	39	10.2	Unemployed	4	1.0	None	86	22.4		
	Total	384	100.0	Total	384	100.0	Number of respondents	1-3	207	53.9	
						3-6		66	17.2		
						>6		25	6.5		
						Total		384	100.0		

Source: Survey (2016)

Table 7 indicates the unbanked individuals' intention to use banking services. The table depicts there is significant agreement that: a bank account would soon be opened ($M = 3.65, SD = .917, t(383) = 13.806, p < .0005$); using a bank account to manage financial affairs is under consideration ($M = 3.67, SD = .973, t(383) = 13.589, p < .0005$); banking services will be more relevant in the future ($M = 3.76, SD = .941, t(383) = 15.883, p < .0005$); preference to use banking services than keeping money in the house ($M = 3.58, SD = .972, t(383) = 11.603, p < .0005$); interested in experiencing the benefits of using bank services ($M = 3.62, SD = .940, t(383) = 12.860, p < .0005$); and interested in recommending usage of bank services to friends and relatives ($M = 3.33, SD = 1.002, t(383) = 6.416, p < .0005$). The listed items are all loaded onto a single factor and so were retained in the composite measure for ITU (Intention to use). The result indicated that there is significant agreement on intention to use banking services in the near future ($M = 3.60, SD = .784, t(383) = 15.017, p < .0005$). Cronbach's alpha used as measure of reliability for the ITU construct is .901, indicating a reliable measure.

Table 7. Unbanked individuals' intention to use bank services

One-Sample Statistics						
Intention to use (ITU)	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
It is likely that I would have a bank account soon	384	3.65	.917	13.806	383	.000
Using a bank account to manage my financial affairs is something I am considering	384	3.67	.973	13.589	383	.000
I believe that using banking services will be more relevant in the future	384	3.76	.941	15.883	383	.000
I still prefer to use banking services than keeping money in the house	384	3.58	.972	11.603	383	.000
I am interested in experiencing the benefits of using bank services	384	3.62	.940	12.860	383	.000
I will recommend usage of bank services to my friends and relatives	384	3.33	1.002	6.416	383	.000
Overall intention to use (ITU)	384	3.60	0.784	15.017	383	.000

Source: Survey (2016)

Using this results of ITU, independent samples *t*-test and one-way ANOVA was conducted to test whether unbanked individuals' demographic factors have a positive significant impact on their intention to use banking services.

The independent samples *t*-test presented in Table 8 shows that there is no significant difference between male ($M = 3.58, SD = 0.776$) and female ($M = 3.63, SD = 0.797$) on their intention to use banking services; $t(382) = -0.582, p\text{-value} = 0.561$.

Table 8. Independent samples t- test of gender and intention to use bank services

	Gender	N	Mean	Std. Deviation	df	t	Sig. (p-value)
ITU	Male	229	3.5815	0.77573	382	-0.582	0.561
	Female	155	3.629	0.7974			

Source: Survey (2016)

Table 9 indicates that there is no significant difference in the unbanked individuals' intention to use banking services regardless of different age groups, total monthly income, employment sector, marital status and having different number of dependents since the *p*-values are significant. However, there is a significant difference in intention to use bank services for different levels of education $F(5, 378) = 2.859$, $p = .015$ and for different categories of occupation $F(6, 377) = 2.280$, $p = .036$.

Table 9. ANOVA test of demographic factors and intention to use bank services

ITU		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	4.229	4	1.057	1.734	0.142
	Within Groups	231.1	379	0.61		
	Total	235.329	383			
Level of education	Between Groups	8.575	5	1.715	2.859	0.015
	Within Groups	226.754	378	0.6		
	Total	235.329	383			
Occupation	Between Groups	8.241	6	1.373	2.28	0.036
	Within Groups	227.088	377	0.602		
	Total	235.329	383			
Total monthly income	Between Groups	3.21	4	0.802	1.31	0.266
	Within Groups	232.119	379	0.612		
	Total	235.329	383			
Employment sector	Between Groups	1.504	1	1.504	2.458	0.118
	Within Groups	233.824	382	0.612		
	Total	235.329	383			
Marital status	Between Groups	1.323	3	0.441	0.716	0.543
	Within Groups	234.005	380	0.616		
	Total	235.329	383			
Number of dependents	Between Groups	1.565	3	0.522	0.848	0.468
	Within Groups	233.763	380	0.615		
	Total	235.329	383			

Source: Survey (2016)

5. Discussions

It is believed that the banking business plays a key role in enhancing the economic growth by directing financial resources from surplus units to more productive areas (Eshete et al., 2013). The banks play a vital role in enhancing development, as the distributors of funds from savers to borrowers (Cheng, 2006). However, it is observed that most of the households in developing countries transact business out of the banking system, where money circulation largely happens outside the formal financial mainstream.

Knowing the unbanked individuals' reasons for being unbanked, their level of awareness of banking services and the effect of demographic characteristics on their intention to use banking services helps the banking firms to design appropriate marketing strategies to attract the unbanked to the banking system. Accordingly, the following section discusses the findings of the study.

Level of awareness of banking services

Barr (2002) believes that the demographic factors of households are not the only significant factors causing banking participation but also the households' level of awareness of banking services plays a key role as a determinant in predicting whether a household is unbanked. Researchers (Lusardi et al., 2014; Rhine & Greene, 2013; Bernheim et al., 2003) have identified that the households with a lower level of awareness of banking services are more likely to be unbanked. However, the people with a higher awareness and knowledge are significantly less likely to be unbanked. In support of this, the result of the current research indicates that the unbanked individuals' level of awareness of banking services was significantly low. Specifically, while there is a generally low awareness of all the banking services, the unbanked individuals' level of awareness on agency banking, point of sales services, investment advice and mobile banking services are significantly lower than others.

Furthermore, the factor analysis results indicate that the unbanked individuals have a significantly low awareness of e-banking services compared to conventional banking services. However, while the knowledge of the unbanked individuals on both service categories are significantly low, their knowledge of e-banking services is lower than conventional banking services. This result is supported by Uvaneswaran et al. (2017); Worku et al. (2016); Belay et al. (2016); Elavarasi and Surulivel (2014) and Dar (2014) who have recognised the importance of e-banking to create the banking services' accessibility and attract those who are unbanked to the banking system and identify the significant influence of a lack of the individual's proper awareness to its adoption.

Reasons for being unbanked

Inganga et al. (2014) state that individuals select to remain unbanked due to various complex reasons. Thus, without understanding them, it would be difficult to overcome the barriers to being banked (Gupta & Negi, 2014). The reasons for being unbanked were explored and identified differently by different researchers. Hogarth et al. (2003) identify some of the individuals' reasons to be unbanked as a high minimum balance required, high service fees, a lack of money and no convenient hours or location. Anderson and Huerta (2014) believe that language barriers or cultural differences may also cause some individuals to remain unbanked. The studies of Djankov et al. (2008) also identify that the employment status of the individual is a strong predictor of whether individuals are banked or unbanked. In addition, the study of Bloomberg and Mintz (2008) identify a lack of sufficient income, costs related to using a bank account, required documents, convenient location and business hours as being the main barriers faced by the unbanked. Moreover, Rhine and Greene (2013), Djankov et al. (2008) Bernheim et al. (2003) and Caskey (2002), also suggest that lower levels of education and a lack of access to proper information channels could lead to lower participation of households in the financial mainstream.

The findings of this research are in line with the above results. It indicates that there is a significant agreement that language barrier, financial literacy, a lack of physical access to banking, low income relative to the cost of services, limited services offered, no proper networking and a lack of awareness are the main reasons for being unbanked. Moreover, based on the average agreement score, the order of the reasons for being unbanked from strongest reason to weakest reason indicates that the unbanked individuals' knowledge of banking services (awareness and financial literacy) plays the greatest role in keeping individuals out of the banking system, followed by the physical accessibility of banking services. This clearly shows that while there are several factors limiting individual participation in the banking system, the contribution of the individual's knowledge of banking services take the lion's share

of being unbanked. This is supported by Wambua and Datche (2013), suggesting that the effect of financial literacy will become stronger as the level of banking participation moves to the unbanked.

The findings of this research also identified a lack of identification documents, rejected in the past, cost is too high, cultural barriers, such as religion, length of time to receive money from a payroll check, minimum required balance, poor time management, and large number of dependents are not the main reasons for the unbanked individuals for being out of the banking system. This may encourage the banking institutions to focus on awareness creation and service offering channel expansions than exerting their resources on the above matters to bring the unbanked to the banking system.

Demographic factors and intention to use banking services

The results of this study indicate that most of the unbanked are young age wise, have dependents, possess lower total monthly income, most of them are employees of non-government organizations and farmers in occupation, and majority of them possess maximum education level of diploma, high school certificate or less. This is in line with the results from some previous studies from other countries (Bernheim et al., 2003; Breitbart & Walstad, 2014; Goodstein & Rhine, 2013; Krishanan et al., 2017; and Nguyen, Cao, Dang, & Nguyen, 2016).

However, the result indicates that there is no significant difference in the unbanked intention to use banking services regardless of different age groups, gender, total monthly income, employment sector, marital status and having different number of dependents since the *p* values are not significance. Similarly, studies conducted by Yadav, (2016), Krishanan, Teng, & Khalidah, (2017), and Ahad, Dyson, & Gay, (2012) on the effect of age determining individuals intention to adopt different banking services found the result to be insignificant. Furthermore, Hogarth, Anguelov, & Lee, (2005); Anderson & Huerta, (2014); Breitbart & Walstad, (2014); Barr, (2002); Yadav, (2016) and Inganga et al., (2014) found that there is insignificant effect that gender and marital status has on individuals' intention.

As a matter of fact, Alafeef, Singh, & Ahmad, (2012), Breitbart & Walstad (2014), Djankov et al. (2008) and Bernheim et al. (2003) identifies demographic factors like income, employment sector and number of dependents as contributors to individual's likelihood of being banked or unbanked. However, Yadav, (2016) and Abdinoor & Mbamba, (2017) identified that even if there is relationship between income of individuals with their intention to use banking services, the effect of the factor is not significant. This supports the present study's finding. This may be due to the fact that most people consider saving money in banks as being like making payment for other bills. It is used as one of the best saving strategies by many people; individuals designate a certain amount of their income as their pay and they pay themselves that money before paying any other bills, so that a considerable amount of their income will be saved in banks. Therefore, such facts cannot be affected by amount of income earned, size of family or employment sector. This fact may make the impact of these factors on the individual's intention to use banking services insignificant.

Moreover, the finding of this research singled out that there is a significant difference in intention to use bank services for different levels of education and categories of occupation. This implies that the unbanked individuals' level of education and occupation has significant influence on their intention to use banking services. In line with this findings, Wambua & Datche (2013) also identifies the effect of individuals' level of education will become stronger as the level of banking participation moves to the unbanked. In addition, Djankov et al. (2008) and Bernheim et al. (2003) identify variables like level of education and work force participation to be strong determinants of whether a household is unbanked or not. On top of this, Abdinoor & Mbamba, (2017); Marumbwa, (2014); Talafha & Abu-shanab, (2015) and Painoli & Singh, (2017) concludes that people's level of education significantly determine their decision to use or not to use various banking services. The reason for this may be due to the fact that people with low level of education initially find the banking service unsuitable from a literacy viewpoint and, also, they may not understand the importance of banking. On the other hand, people with higher educational level may better understand the usefulness and how to deal with banks, so that they may exhibit positive intention to use.

6. Conclusion

Today, the issue of banking the unbanked have attracted the attention of banks, community based organizations and policy makers. So in order to be successful in bringing these unbanked people to the banking system, understanding those factors contributing to their unbanked is important. This study examines the bank services awareness level of unbanked individuals, major reasons for being unbanked and the effect of demographic factors on their intention to use banking services. Accordingly, the result

shows that while there is a significantly lower awareness of both the conventional and e-banking services, their knowledge of e-banking services is worse than of conventional banking services. Therefore, banking institutions in Ethiopia have a lot of work to create the awareness of the banking services they provide for the population. Furthermore, it is concluded that language barrier, financial literacy, a lack of physical access to banking, a low income relative to the cost of services, limited services offered, no proper networking and lack of awareness are the main reasons for being unbanked. Moreover, it is understood that among these reasons the unbanked individuals' knowledge of banking services (awareness and financial literacy) plays the greatest role in preventing them from entering the banking system followed by the physical accessibility of banking facilities.

On top of this, it is concluded the demographic factors, specifically, level of education and occupation, have a significant effect on intention to use banking services of unbanked individuals. But, the result revealed the effect of age, gender, total monthly income, employment sector, marital status and number of dependents as being insignificant. Therefore, banking sector in Ethiopia need to understand these factors while taking measures to bring the unbanked into banking system.

In general, it is recommended that the banking sector should develop financial educational programmes and provide for the community to enhance their banking services awareness. Providing financial education for the community will help them to know how to use banking services and have the skills and confidence to manage their money. The banking institutions can achieve success in bringing the unbanked people into the financial mainstream through offering them financial education. Thus, the banks should meet the unbanked where they are – at their workplaces, schools, gatherings in the community – and train them on the grounding skills of the basics of managing their finances and banking services. In order to realize this, the banks should collaborate with the educational service providers, government agencies, schools, private sector employers, community service providers and other financial institutions. Adding to this, it is suggested that the banking institutions in the country should work extensively on creating accessibility for the community through expanding their branches, strengthen the use of technology, like mobile banks, agencies and internet banking, to tap the untapped areas.

Moreover, it is recommended that, among others, banks should consider the level of education and occupation of the people while designing and introducing services and ensure that such services meet the requirements of people at their different levels of occupation and literacy.

7. Implication of the study

This study has important implication as it will be useful for bankers, policy makers, and other researchers, as banking the unbanked is important in enhancing economic growth of a country by directing financial resources from surplus unit to those with more productive area. Furthermore, the study was conducted on the unbanked individuals in only three regions of Ethiopia. The study can be undertaken in other regions of the country with different population profile, which may result in different conclusion. Therefore, future studies may look at this to get a more comprehensive profile of the unbanked population in the country and determine its effect on their intention. Beside the variables used in this study, further research should be conducted to identify other factors, which could influence the unbanked population's intention to use banking services in other developing countries like Ethiopia. This would be important for developing marketing strategies to bring the unbanked into financial mainstream.

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