

## ВПЛИВ ІНТЕРНАЦІОНАЛІЗАЦІЇ НА СПОЖИВЧИЙ ВИНЯТОК З РИНКУ ФІНАНСОВИХ ПОСЛУГ

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Представлені результати досліджень з виявлення впливу процесу інтернаціоналізації фінансових послуг на розвиток феномену фінансового винятку споживачів. Результати показують, що рівень фінансового винятку споживачів, як дискреційний і обов'язковий, є дуже високим. Споживачі найчастіше стикаються з труднощами у використанні послуг іноземних фінансових інститутів, а не вітчизняних. Це особливо помітно по відношенню до потреби щодо фонду збереження та прийняття фінансових зобов'язань. Проте до цього часу третина споживачів показує інтернаціоналістичні відносини і тільки десята частина респондентів негативно сприймає іноземні фінансові інститути. Останні установки притаманні літнім людям, а також споживачам з базовою або професійною освітою. Це характерно і для жителів сільської місцевості, а також невеликих міст.

**Ключові слова:** інтернаціоналізація, фінансові винятки, ринок фінансових послуг.

## INFLUENCE OF INTERNATIONALIZATION ON CONSUMER EXCLUSION FROM THE FINANCIAL SERVICES MARKET

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This paper presents the results of research identifying on the impact of the internationalization process of financial services on the development of the phenomenon of financial exclusion of consumers. Results shows that level of financial exclusion of consumers, both discretionary and mandatory, is very high. Consumers more often face difficulties in using services of foreign financial institutions rather than of domestic ones. This is particularly notable with respect to the need of fund saving and taking financial commitments. However still one third of consumers present internationalistic attitudes and only one tenth of respondents negatively perceive foreign financial institutions. The latter attitudes are characteristic of elderly people as well as consumers with basic or vocational education. It is also typical of inhabitants of rural areas and smaller towns.

**Key words:** internationalization, financial exclusion, financial services market.

**Problem formulation.** Consumers and their market behavior are not entirely indifferent to the internationalization process of financial institutions. Currently, the problem is becoming increasingly significant due to technological development, extension of a market offer as well as cultural and civilizational changes. Generally, the changes are regarded by consumers as positive since they are tantamount to development of a more attractive and better customer-tailored service offer, to greater comfort in using financial services and better financial information access. Nonetheless, big foreign financial institutions often restrict (or even deny) consumers' access (especially with respect to poorer consumers) to a basic offer such as bank accounts, term deposits, consumer credits or key insurance products. A less vivid example of exclusion can be observed with respect to determination of higher fees and commissions for people who are not financially attractive for a bank or for a financial institution. Such a policy is intended to discourage consumers who do not fit a definite market segment which is targeted by a definite financial institution and provided with a customized market offer. This phenomenon is referred to as mandatory financial exclusion. Apart from that, however, there also exists a discretionary financial

exclusion which is a result of consumer negative attitudes towards foreign financial institutions and their operational strategies.

**Analysis of current research outputs and publications.** Internationalization of financial services market both shapes consumer attitudes and affects consumer buying behavior. Consequently, consumer attitudes can be described as: ethnocentric, in a situation when the consumer favors services provided by domestic financial institutions, antinationalistic, when the consumer prefers services of foreign financial institutions, and cosmopolitan attitudes, when the consumer concentrates on other features of financial services rather than on the country of origin [1, p. 248].

Consumer ethnocentrism appears as a consumer conviction about moral commitment to buy domestic products [2, p. 239]. In practice, this conviction is expressed through a consistent and conscious preference of native products over the imported ones. In their choice of goods and services ethnocentric consumers take into consideration moral rather than economic (rational) or emotional factors. They favor domestic products and reject the foreign ones, and strongly believe that purchase and consumption of the latter is immoral, if not wrong, whereas consumer who choose foreign goods do harm to the economy, weaken it, and, indirectly, act to their own detriment [3, p. 7-24]. Thus, it can be concluded that consumer ethnocentrism is an equivalent of consumer economic patriotism in the field of consumption.

Consumer ethnocentric attitudes may stem from a deep belief in the superiority of domestic products over the foreign ones or may develop when the quality of foreign goods is unquestionable. A different category of attitudes emerges in a situation when consumers consciously and consistently favor foreign products. These attitudes can be generally referred to as consumer “internationalism”. Like ethnocentric consumers, the antinationalistic ones seek information of a product origin (domestic or foreign) upon which they make their buying decisions choosing, in this case, foreign products.

Unlike ethnocentric or antinationalistic consumers, cosmopolitan consumers base their buying decisions on features others than country of a product origin. They make their decisions by comparing products with respect to other features and by maximizing the aggregate sum of obtained benefits. Mutual relations of the features and perception thereof can vary across consumer segments, but all cosmopolitan consumers share one common feature: they do not take into consideration the country of product origin in their buying decisions.

Attitudes demonstrated by consumers who base their decisions on the county of product origin are not permanent, but are subject to constant changes, whereas range of the phenomenon is modified by ongoing processes in the consumer environment. Thus, it can be concluded that the level of consumer ethnocentrism depends on the consumer market environment, particularly on the market supply of domestic or foreign goods. With respect to services, this ethnocentrism is dependent on the number of domestic and foreign companies providing services, in other words, on the level of internationalization of an economic market sector. It is noteworthy that ethnocentric attitudes can be tempered in a situation when foreign products, especially the ones which are important for consumer need satisfaction, do not have their domestic equivalents on the market. [4, p. 13].

Internationalization of the financial services market also affects consumer behavior. Thanks to activities of foreign financial institutions oriented on definite market segments, certain consumer groups become a target of special interest and marketing operation. In the meantime, other consumer groups are gradually ousted from the market. Moreover, consumers themselves, may try to avoid using financial services by consumer boycott. Thus, it is possible to refer to two types of financial exclusion from the market: mandatory and discretionary.

The concept of “financial exclusion” was used for the first time by two British geographers, A. Leyshon and N. Thrift in 1993, who studied the effect of closure of bank branches in some towns or regions on the access to banking services. [5, p. 312-341]. Since that moment research into financial exclusion has considerably developed and expanded [6, p. 48]. One of the research trends was related to the very nature of social exclusion and its various types (mainly research done by N. O’Reilly [7, p. 72], S. Sinclair [8] or Financial Inclusion Taskforce [9]). Another important research trend was focused on identification of factors determining the phenomenon of social exclusion (including studies by G. Damski

[10, p. 267-285] S. Carbo, E. Gardener and P. Molyneux [11, p. 21-27], E. Kempson, S. McKay and S. Collard [12, p. 32] or C. Corr [13]).

Financial exclusion relates to the whole spectrum of inconveniences experienced by consumers on the financial services market in a situation when they cannot use majority of financial services [14, p. 132]. Practically, this denotes a situation when financial institutions restrict (or even deny) current or potential customers' access to the basic offer such as bank accounts, term deposits, consumer credit facilities or key insurance products. [15, p. 267-285]. A less severe variant of exclusion includes higher fees and commissions for people who, from the point of view of a bank or a financial institution, are not financially attractive [16, p. 21-27]. Such a policy is designed to discourage consumers who do not fit a market segment which is targeted by a financial and is presented with a customized market offer [17, p. 211].

Consumers ousted from the financial services market cannot meet their financial commitments (e.g. rental payments, electricity bills, etc.) by virtue of a bank account. Such consumers are forced to use less convenient and more costly cash settlement services rendered by other agencies. Having been denied a possibility of getting a bank loan, excluded consumers have to seek unfavorable credit facilities with non-banking or non-market institutions (family, friends, neighbors, etc.). Consumers who do not have accounts with banks often face unemployment problems or social welfare difficulties. Even more so, they are in a much worse position with respect to expense planning. Consequently, financial exclusion may end in the social exclusion [17, p. 207-238].

**Article objectives.** This article is aimed to showcase two aspects:

1. It should be underlined that market internationalization may have a significant, either positive or negative, influence over consumer attitudes and behavior.
2. It has been deemed necessary to identify the influence of internationalization of financial services market on the phenomenon of financial exclusion in Poland. It is also purposeful to characterize consumer attitudes towards foreign financial institutions and to define a profile of a consumer who has been excluded both on a mandatory or discretionary basis.

**Presentation of main materials.** In order to identify the influence of market internationalization of financial services over consumer attitudes and financial exclusion, research was conducted in Silesian Voivodeship (province) on a test group of 600 respondents in September 2012. The research was based on the method of a structured questionnaire.

With respect to the research subject, it was necessary, in the first place to identify criteria according to which consumers tend to consider a financial institution and its services as a domestic or foreign one. On the basis of the research it can be concluded that consumers regard an institution as Polish when:

- it has a Polish name – brand (42%),
- its dominant capital is Polish (21%),
- operates in Poland (17%),
- is state-owned (9%),
- others (11%).

An institution is foreign when:

- is owned by a foreign entity (29%),
- has a foreign-sounding name – brand (21%),
- has been privatized (15%),
- operates abroad (12%),
- others (15%).

Thus, a conclusion can be drawn that consumers' knowledge of the nature of market internationalization is narrow, which may significantly affect consumer buying behavior and consumer attitudes, including the ethnocentric ones.

In the meantime, on the basis of research carried out on the financial services market, it can be stated that ethnocentric attitudes appear relatively seldom. As few as 14.2% of consumers prefer services of

Polish institutions. The biggest segment (53.9%) is represented by consumers for whom the country of origin of a financial institution is of lesser importance than other features. These are the so-called cosmopolitan consumers. Finally, consumers who favor services provided by foreign institutions (representing antinationalistic attitudes) account for 31.9% of all respondents.

According to research results, the level of ethnocentrism grows proportionately to the age of respondents. Only 4.2% of young people (under the age of 25) choose services exclusively of Polish financial institutions, whereas 26.5% people over the age of 65 adopt the same attitudes. It is worth underlining the fact that a very small percentage of respondents over the age of 55 demonstrates antinationalistic attitudes, and about 75% of these consumers declare their indifference to the country of origin of their financial services provider. With respect to consumer level of education, it can be observed that majority of consumers with basic education favor services of Polish financial institutions (60%). However, the number of people presenting such an attitude declines dramatically with growth in the level of education. Consumer ethnocentric attitudes are also strongly affected by respondents' place of living. The smaller the place, the bigger the number of people using services exclusively of Polish financial institutions. With respect to economic factors, including the level of current income or assessment of a household economic situation, it can be noticed that their influence over development of ethnocentric attitudes approaches a normal distribution. The biggest number of people choosing services of Polish financial institutions earn between 1,001 to 2,000 Polish zlotys per month and assess their economic situation as average, the smallest number is represented by consumers with monthly earnings below 1,000 Polish zlotys and above 6,000 zlotys a month. They assess their economic standing either as very bad or very good. It should be underlined that both the poorest and the richest consumers pay very little attention to the country of origin of the company's share capital. What they really focus on is either the level of interest rate and commissions, as in the case of poorer customers, or different quality factors, as in the case of representatives of economic elites.

Thus, it can be concluded that consumers of the financial services market are losing interest in the country of origin of service providers in favor of other variables grossly affecting their buying decisions. These include: the level of interest rate, fees and commissions as well as quality factors. All this proves that cosmopolitan attitudes are becoming more common among consumers on the financial services market.

Internationalization does not greatly affect consumer attitudes, yet, with respect to consumer buying behavior this cannot be so unanimously acknowledged. The opening of the Polish market to foreign financial institutions was meant to ensure, among many other purposes, common consumer access to basic financial institutions. Nonetheless, despite the fact that the Polish financial sector is dominated by foreign institutions, there is still a large number of consumers who are excluded from the market of financial services.

Results of direct research reveal that over 40% of respondents have been denied the use of some service or have encountered serious barriers on the part of foreign financial institutions. By the way of contrast, in the case of Polish institutions, such a situation has concerned only 16.3% of respondents.

With respect to types of services, the direct research has showed that almost 30% of respondents do not have their own bank account, and 50% of them do not possess payment/credit cards. It is noteworthy that, both in the case of personal accounts and payment/credit cards, the number of people who have consciously chosen not to use these services (discretionary financial exclusion) outweighs the number of customers who have wanted but have been denied the access to these services by a financial institution (mandatory financial exclusion).

The necessity of investing consumer available funds presents another need to be satisfied by the financial market offer. This need is related to the consumer dilemma (choice) whether to consume or save their funds. Savings are considered to be part of income which is not spent on current consumption. Research results have revealed that as many as 62.2% of consumers do not have any deposit service with a financial institution at all, yet only very few consumers refuse to save money with foreign institutions on grounds of their overseas origin or lack of trust in these institutions. In fact, most respondents do not use deposit services due to shortage of financial means or due to a very demanding policy of a financial

institution with respect to, for example, required minimum amount of deposit funds. Thus, such consumers are forced out of the market of financial services.

*Table 1*

**The level of financial exclusion with respect to satisfaction of the need of accessing financial means (in %)**

Type of services not used by consumers	Total number of excluded consumers on the market	Customers who do not want to use services of foreign institutions	Consumers excluded by foreign institutions
Personal bank accounts	29.1	12.6	9.8
Payment/credit cards	58.9	24.3	11.5

The need of financing purchases or the necessity of credit-based buying present the third group of needs to be satisfied on the financial services market. According to the research, consumers are skeptical about borrowing money as a way of financing purchases. On the other hand, they treat financial commitments as a means of achieving their own goals. Moreover, the results have shown that 66.8% of consumers do not have any credit facilities with a bank, even in the form of an overdraft. And, like in the case of savings, a great majority of consumers have not taken any financial commitments on the financial services market due to a negative decision of foreign banks.

*Table 2*

**The level of financial exclusion with respect to satisfaction of the need of money saving and money borrowing (in %)**

Type of services not used by consumers	Total number of excluded consumers on the market	Customers who do not want to use services of foreign institutions	Consumers excluded by foreign institutions
Deposit services	62.2	9.1	36.4
Credit facilities/loans	66.8	12.5	38.0

Bearing in mind the above, it can be concluded that the level of consumer financial exclusion is quite considerable. This is especially visible when it comes to the need of money saving and money borrowing. A great majority of respondents who do not use financial services are excluded by foreign financial institutions.

On the basis of the research, women (39.2%) more frequently than men (30.8%) refuse to use services of foreign financial institutions, either on account of their own decisions or due to exclusion by the institutions. As far as the age of respondents is concerned, a significant number of the youngest people (under the age of 25 – 46.4%), as well as the elderly ones (over the age of 65 – 69.2%) do not use services of foreign financial institutions on a large scale. The research has also revealed a strong correlation between financial exclusion and the level of consumer education and earnings. Consequently, less educated (68.4%) and poorer respondents (76.3%) are more often excluded from the market by foreign financial institutions. It is noteworthy that representatives of one-member households as well as multi-member households often have limited possibilities of using diverse financial services. In the case of one member-households this results, among others, from the policy of a foreign financial institution which classifies single people as low credit-rating customers (42.1%). Multi-member households, in turn, present customers who face frequent financial problems (48.6%). It is not surprising that consumers from rural regions are more often financially excluded than people from urban areas (43.8%), as they have limited access to establishments of foreign financial services.

**Conclusions and perspectives for further research.** The variety, speed and intensity of changes on the financial services market, being a result of internationalization, do affect attitudes and behavior of

consumers on this market. Based on the research, a conclusion can be drawn that a great majority of consumers cannot properly identify domestic and foreign financial institutions. Also, an overwhelming number of consumers do not attach importance to the country of origin of an institution the services of which they use. One third of consumers present antinationalistic attitudes and only one tenth of respondents negatively perceive foreign financial institutions. The latter attitudes are characteristic of elderly people as well as consumers with basic or vocational education. It is also typical of inhabitants of rural areas and smaller towns. The research has also proved that consumers more often face difficulties in using services of foreign financial institutions rather than of domestic ones. This is particularly notable with respect to the need of fund saving and taking financial commitments.

To sum up, it can be stated that the obtained research results may be used in further research into development of scientific theories (particularly theories of consumer behavior or behavioral finances, including personal finances) which are essential for comprehension of complex consumer-financial institution relations, especially in the field of determinants affecting consumer choices on the financial services market. In addition, the conducted research has provide grounds for the discussion and further research into consumer behavior on the global market of financial services.

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