

**YANGON UNIVERSITY OF ECONOMICS  
DEPARTMENT OF APPLIED ECONOMICS  
MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

**A STUDY ON ACCESS TO BANKING SERVICES IN RURAL  
AREAS OF NYAUNGDON, AYEYARWADY REGION**

**CHO LATT YADANAR  
MPA – 10 (22<sup>nd</sup> BATCH)**

**JUNE, 2025**

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**A STUDY ON ACCESS TO BANKING SERVICES IN RURAL  
AREAS OF NYAUNGDON, AYEYARWADY REGION**

**A thesis submitted as a partial fulfilment of the requirements for the  
Degree of Master of Public Administration**

**Supervised by**

**Dr. N Khum Ja Ra  
Associated Professor  
Department of Applied Economics  
Yangon University of Economics**

**Submitted by**

**Cho Latt Yadanar  
Roll No. 10  
MPA (22<sup>nd</sup> Batch)  
(2023-2025)**

**JUNE, 2025**

**YANGON UNIVERSITY OF ECONOMICS**  
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**MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

This is to certify that this thesis entitled "**A STUDY ON ACCESS TO BANKING SERVICES IN RURAL AREAS OF NYAUNGDON, AYEYARWADY REGION**" submitted as a partial fulfilment towards the requirements for the Degree of Master of Public Administration has been accepted by the Board of Examiners.

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Yangon University of Economics

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## **ABSTRACT**

This survey explores the challenges faced by customers in accessing banking services in rural Nyaungdon Township, Ayeyarwady Region, Myanmar, emphasizing the importance of financial inclusion for rural development. The research aimed to identify key obstacles and evaluate digital banking's role in enhancing access. Utilizing a cross-sectional survey with a structured questionnaire, data were collected from 310 respondents across 10 village tracts, employing a quantitative methodology for analysis. Results indicated the critical need for improvements in banking services within rural communities, particularly regarding socio-economic factors, financial behavior, and digital banking. Significant barriers such as a lack of banking awareness, inadequate infrastructure, and limited access to digital banking services highlight the challenges faced by residents. The results highlight to enhancing banking accessibility, increasing financial education, and improving digital literacy are essential steps for empowering rural individuals. Additionally, building trust in banking institutions and addressing security concerns are also vital for fostering greater engagement with financial services and promoting overall financial inclusion in these communities.

## ACKNOWLEDGEMENTS

I extend my heartfelt gratitude to the individuals who have played a pivotal role in supporting and guiding me throughout this academic journey.

First and foremost, I sincerely thank the Master of Public Administration Programme Committee at Yangon University of Economics for granting me the opportunity to undertake this study. I am especially grateful to Dr. Tin Tin Htwe, the Rector, for enabling us to acquire invaluable knowledge.

My profound appreciation also goes to Professor Dr. Su Su Myat, the Programme Director and Head of the Department of Applied Economics, and all the faculty members of the MPA Program for their exceptional guidance and unwavering support.

I am particularly indebted to my supervisor, N Khum Ja Ra, Associate Professor at Yangon University of Economics, for her constant support, mentorship, and encouragement throughout my studies. Her invaluable guidance made the completion of this thesis possible.

Finally, I wish to express my gratitude to my friends for their unwavering moral support while writing this thesis and throughout my life.

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## **LIST OF ABBREVIATIONS**

CBM	Central Bank of Myanmar
GDP	Gross Domestic Product
MEB	Myanma Economic Bank
MFS	Mobile Financial Services
FIM	Financial Institutions of Myanmar
RTGS	Real-Time Gross Settlement
NBFI	Non-Bank Financial Institution
USSD	Unstructured Supplementary Service Data
ATM	Automatic Teller Machine
KYC	Know Your Customer
ASEAN	Association of Southeast Asian Nations

# **CHAPTER I**

## **INTRODUCTION**

Accessing banking services in rural areas presents unique challenges that can significantly hinder financial inclusion and economic development. In many regions, particularly in developing countries, traditional banking institutions often overlook the needs of rural populations, leading to a reliance on informal financial methods. This study focuses on the specific obstacles faced by customers in rural areas, with a particular emphasis on Nyaungdon Township in the Ayeyarwady Region of Myanmar. By investigating these challenges, including insufficient information, documentation difficulties, and limited access to digital banking solutions, the research aims to shed light on the barriers that prevent effective financial participation. Understanding these issues is vital for developing strategies that enhance access to banking services, ultimately contributing to improved economic opportunities and overall community development.

### **1.1 Rationale of the Study**

Financial inclusion is recognized globally as a crucial driver of economic development and poverty alleviation (Demirguc-Kunt et al., 2018). By providing individuals and businesses access to useful and affordable financial services, such as savings, credit, insurance, and digital banking, financial inclusion promotes economic stability, reduces income inequality, and empowers communities to thrive economically (World Bank, 2017). However, in many low- and middle-income countries, rural populations face considerable challenges in accessing formal financial services, often due to barriers associated with geographical distance, lack of infrastructure, and low digital literacy (Aterido et al., 2013).

The significance of financial inclusion has led to various policy interventions worldwide aimed at reducing financial exclusion rates. According to a report by the World Bank (2018), financial services can help people manage economic emergencies,

plan for future investments and improve their overall quality of life. However, while urban areas have benefited significantly from advances in financial inclusion, rural populations, particularly in developing regions, still face persistent barriers. These challenges inhibit rural residents from realizing the benefits of full participation in the formal financial system.

Rural populations' socio-economic and demographic characteristics play a fundamental role in determining their access to banking services. Income level, age, education, and employment status significantly influence an individual's likelihood of accessing and using formal financial services (Beck et al., 2008). Rural areas are often characterized by higher levels of poverty, lower educational attainment, and employment in informal sectors—all of which contribute to limited financial access (Banerjee et al., 2015). Research indicates that low-income individuals are less likely to use banking services due to the costs associated with account maintenance and transaction fees (Dupas et al., 2012). Moreover, educational levels impact financial literacy, which is essential for understanding and engaging with banking products (Lusardi & Mitchell, 2011).

In regions where demographic factors create additional barriers to accessing banking services, tailored financial inclusion strategies become necessary. For instance, the lack of formal employment often limits access to credit and other financial products due to the absence of stable income records or collateral (Collins et al., 2009). Addressing these socio-economic and demographic disparities is critical for promoting inclusive financial systems that cater to all segments of society, including marginalized rural populations.

Rural customers encounter various challenges in accessing formal banking services, including physical distance to bank branches, inadequate infrastructure, limited digital literacy, and high financial costs. Physical distance from banking facilities is one of the most cited obstacles, particularly in rural and remote regions where bank branches are sparsely distributed (Allen et al., 2016). Travel costs and the time required to reach these branches discourage many rural residents from regularly using banking services (Sarma & Pais, 2011). Furthermore, the lack of infrastructure, including reliable electricity and internet connectivity, restricts access to digital financial services, which are increasingly central to modern banking.

Digital literacy is another significant barrier. For many rural residents, particularly older adults, unfamiliarity with digital technology prevents them from

utilizing mobile banking and other online financial services (Kireyeva AA, 2021). Digital literacy is often compounded by a lack of trust in digital systems due to fears of fraud and privacy issues (Evans & Pirchio, 2015). This distrust, combined with high perceived financial costs such as fees associated with mobile banking transactions, can dissuade rural customers from adopting digital solutions (Lal, T. 2021).

The advent of digital banking solutions, including mobile and online banking, has transformed the landscape of financial inclusion by offering convenient and accessible alternatives to traditional banking. Digital banking allows rural customers to conduct transactions remotely, eliminating the need to travel long distances to a bank branch (Suri & Jack, 2016). Additionally, mobile banking has proven effective in increasing financial inclusion in areas with limited banking infrastructure, as evidenced by the success of services such as M-Pesa in Kenya (Jack & Suri, 2011). However, despite these advancements, the effectiveness of digital banking in rural areas remains mixed due to challenges like poor network coverage, limited smartphone access, and lack of digital skills (Ozili, 2020).

Mobile banking services are only as effective as the infrastructure supporting them. In many developing countries, rural areas still suffer from limited mobile network coverage, making consistent digital banking access difficult (David-West, IA, 2022). Moreover, without adequate financial education and awareness programs, rural customers may struggle to utilize these technologies effectively. Consequently, while digital banking holds considerable potential to bridge financial inclusion gaps, its success depends on addressing both infrastructural and educational barriers.

This study addresses the critical need to understand and tackle the barriers to financial inclusion in rural areas, where access to formal banking remains limited. By focusing on the specific socio-economic and demographic factors that impact financial access, this research will provide valuable insights into how various groups within rural populations experience financial exclusion. Additionally, by examining the primary obstacles to accessing banking services, the study will illuminate the unique challenges faced by rural customers, offering a foundation for policy interventions aimed at improving rural financial access. The assessment of digital banking solutions constitutes a vital part of this study, given their potential to enhance financial inclusion in areas with limited physical banking infrastructure. Understanding the availability, accessibility, and effectiveness of these digital options

can help inform strategies for integrating technology-driven solutions that cater to the specific needs of rural communities. This study's findings aim to contribute to the broader literature on financial inclusion by highlighting actionable insights and recommendations for creating inclusive financial systems that support rural populations, particularly in low- and middle-income countries.

## **1.2 Objectives of the Study**

The objectives of the study are:

- (1) To identify the key factors and the primary barriers rural customers face in accessing formal banking services.
- (2) To assess the availability and effectiveness of digital banking solutions in promoting financial inclusion in rural areas of Nyaungdon, Ayeyarwady Region.

## **1.3 Method of Study**

This study employed a descriptive survey design to assess key obstacles and evaluate digital banking's role in enhancing access among rural communities. A well-structured questionnaire was developed to gather primary data, and face-to-face interviews were conducted using this instrument. A total of 310 rural residents from 10 villages in Nyaungdon Township, Ayeyarwady Region, were selected. Data were collected through a semi-structured questionnaire aimed at capturing respondents' socio-economic and demographic characteristics, along with their experiences and challenges in accessing banking services. Descriptive statistics were employed to summarize the demographic and socio-economic profiles of respondents, thereby highlighting the prevalence of barriers to banking access in rural areas.

## **1.4 Scope and Limitations of the Study**

This study focused on the challenges faced by customers in accessing banking services specifically within the rural communities of Nyaungdon, Ayeyarwady Region, Myanmar. It analyzed various barriers to financial inclusion, including socio-economic, demographic, infrastructural, and digital challenges that impact access to banking services. Key factors examined included income levels, education, familiarity with digital banking, and the existing infrastructural limitations. However, the study had certain limitations. The geographic focus on only one region restricted the

generalizability of the findings to other areas, particularly urban communities where different dynamics may exist. Additionally, the sample size of 310 respondents may have excluded marginalized groups within the rural population, potentially leading to an incomplete understanding of the challenges faced by all segments of the community. Furthermore, the structured questionnaire used in data collection may not have fully captured the cultural nuances and specific experiences of individuals, which could affect the depth of the insights gathered.

## **1.5 Organization of the Study**

The study is structured into five chapters. Chapter 1 introduces the study by outlining the rationale, objectives, method, scope, and limitations, as well as providing an overview of the study's organization. Chapter 2 offers an extensive literature review, exploring the socio-economic and demographic factors influencing access, key barriers to banking services in rural areas. Chapter 3 provides a situational analysis of the barriers to financial inclusion in rural Myanmar. Chapter 4 reports the result of the study and offers an accurate analysis of the findings. Finally, Chapter 5 presents the conclusion.

## **CHAPTER II**

### **LITERATURE REVIEW**

Financial inclusion is widely recognized as a critical enabler of economic development and poverty alleviation, particularly in developing regions. However, access to formal banking services remains a significant challenge in rural areas. The lack of infrastructure, low levels of digital literacy, high financial costs, and socio-economic factors such as income and education contribute to the exclusion of rural populations from banking services. This literature review explores the key barriers to financial inclusion in rural areas, focusing on socio-economic factors, digital banking solutions, and the challenges faced by rural customers.

#### **2.1 Concept of Financial Inclusion**

Financial inclusion has become a crucial element of comprehensive economic development, especially in developing countries. It pertains to the availability, accessibility, and use of formal financial services by individuals and enterprises, particularly those who are often underserved or marginalised by conventional financial institutions. The notion underscores the importance of fair access to essential services, including savings, credit, insurance, payments, and remittances, which are vital for everyday management, future planning, and resilience against unforeseen financial disruptions. Soederberg (2023) defines financial inclusion as the capacity of individuals and businesses to obtain beneficial and affordable financial goods and services designed to address their specific requirements. These services encompass fundamental banking functions, including savings accounts, money transfers, loans, payment systems, and insurance policies. These services must be both accessible and provided responsibly and sustainably to guarantee sustained engagement with the formal financial system.

The absence of access to official financial services has been recognised as a substantial impediment to economic mobility, especially in low-income and rural areas. Soederberg (2013) contends that financial exclusion can sustain poverty,

restrict entrepreneurial options, and hinder individuals from fully engaging in the wider economy. In the absence of financial availability, individuals cannot invest in education, small enterprises, or agricultural resources, all of which are essential for revenue production and enhancement of livelihoods. Likewise, the lack of solid savings systems and insurance alternatives renders households susceptible to financial vulnerabilities during crises, such as illness, crop failure, or unemployment. In rural regions, where physical infrastructure is inadequate and official financial institutions are frequently scarce or nonexistent, informal financial systems typically prevail. These encompass conventional moneylenders, rotating savings associations, and informal credit agreements, which may lack the same degree of security, reliability, or affordability as regular banking services. Demirgüç-Kunt et al. (2018) emphasise that the incorporation of rural inhabitants into the formal banking system is essential for fostering socio-economic development. Financial inclusion in these areas fosters individual economic stability and promotes community development by enabling access to credit, encouraging savings behaviour, and improving financial literacy. Furthermore, financial inclusion is intricately connected to the advancement of equitable growth and the mitigation of economic disparity. When individuals in rural and underserved regions are integrated into the financial system, they acquire the necessary tools to manage risk, participate in productive endeavours, and accumulate assets over time. These processes foster a more resilient and self-sufficient populace, equipped to endure economic disruptions and enhance contributions to local and national economies.

The emergence of digital banking technologies has generated new prospects for enhancing financial inclusion, especially in rural regions. Mobile banking, agent banking, and fintech solutions have emerged as effective alternatives to conventional brick-and-mortar banking, enabling rural inhabitants to obtain financial services without extensive travel. These advances can diminish transaction costs, enhance convenience, and expand the accessibility of financial institutions. Nonetheless, their efficacy is contingent upon other conditions, including digital literacy, network infrastructure, price, and trust in digital platforms. The notion of financial inclusion transcends basic accessibility to financial services. It is a comprehensive framework designed to empower individuals and communities by including them into the formal financial system. Soederberg (2023, 2013) and Demirgüç-Kunt et al. (2018) emphasise that financial inclusion pertains to both economic efficiency and social

equality, as well as personal development. In the rural setting of Nyaungdon, Ayeyarwady Region, comprehending and advancing financial inclusion is essential for combating persistent poverty, enhancing livelihood prospects, and attaining overarching development objectives.

## **2.2 Socio-Economic and Demographic Factors Affecting Banking Access**

Socio-economic factors such as income, education, occupation, and gender significantly influence an individual's ability to access formal banking services. These factors contribute to the barriers individuals face in using financial services.

### **2.2.1 Income and Economic Status**

Income and overall economic status are significant factors of financial inclusion, particularly in rural areas where socio-economic differences are frequently more evident. Access to formal banking services is intricately linked to an individual's financial capacity, influencing not just their capability to establish and sustain a bank account but also their utilisation of other financial goods such as credit, insurance, or savings options. Zins and Weill (2016) indicate that low-income individuals, especially in rural areas, encounter considerable obstacles in obtaining banking services. A principal obstacle is the failure to satisfy the minimum balance or deposit stipulations set by professional banking institutions. Minimum thresholds are frequently established according to banks' profitability calculations, with scant consideration for the financial circumstances of rural populations. Consequently, persons receiving daily or seasonal salaries, including farmers, casual labourers, and small-scale sellers, may lack the consistent or surplus income required to qualify for or sustain bank accounts. Furthermore, the financial penalties linked to banking, such as transaction fees, travel costs to access remote bank branches, and opportunity costs incurred from taking time off work, are disproportionately onerous for low-income households. These indirect expenses further dissuade rural inhabitants from interacting with conventional banking institutions. Lestari (2018) underscores that these economic constraints diminish both access to and involvement in the banking system, so restricting rural households' capacity to establish financial security by saving, borrowing, or insuring against future hazards.

In rural regions, these challenges are exacerbated by pervasive poverty and an

economy that is primarily agrarian and informal. Seasonal income variations, along with minimal excess, compel most rural households to prioritise current consumption over long-term financial strategies. This impedes habitual saving practices and diminishes the necessity for formal banking services. Despite the physical availability of banking services, inconsistent income frequently results in underutilisation or dormant accounts. Income-related obstacles also influence the creditworthiness of rural residents in the perception of formal financial institutions. Rural consumers frequently do not satisfy the criteria for loans or lines of credit due to the absence of stable or verified income. The absence of access to conventional credit compels many individuals to depend on informal loan sources, such as moneylenders, who may impose exorbitant interest rates and lack consumer protection measures. Thus, financial exclusion becomes cyclical—low income restricts access to banking, and restricted access to banking hinders income growth. Moreover, low-income status is also associated with diminished educational attainment and financial knowledge, which further obstruct access. Individuals from economically disadvantaged homes may be uninformed about banking protocols, interest rates, or the advantages of financial services, resulting in reluctance or apprehension towards engaging with formal financial institutions. This amalgamation of economic instability and informational deficiencies constitutes a systemic obstacle that necessitates rectification via inclusive financial policy and focused community engagement (Lestari, (2018).

Zins and Weill (2016) contend that policy initiatives designed to improve financial inclusion must consider the particular economic limitations encountered by rural and low-income communities. This includes the modification of banking products to address the requirements of the impoverished, including zero-balance accounts, streamlined Know-Your-Customer (KYC) protocols, and economical digital platforms. Similarly, Lestari (2018) posits that financial institutions and governments must develop financial services that are both physically accessible and economically feasible for low-income households. Income and economic position are fundamental factors of financial access in rural regions. Insufficient income prevents rural residents from accessing conventional banking services, so restricting their capacity to save, invest, or secure financial protection. This review demonstrates that surmounting income-related obstacles necessitates a multifaceted approach that integrates financial product innovation, cost-reduction strategies, financial literacy enhancement, and

policies that directly tackle the economic conditions of rural life (Zins & Weill, 2016; Lestari, 2018).

### **2.2.2 Education and Digital Literacy and Banking Access**

Education and digital literacy are widely acknowledged as essential socio-economic and demographic factors influencing financial inclusion, especially in rural areas. Access to banking services necessitates the physical presence of financial institutions, the cost of services, and a fundamental level of understanding and confidence to interact with financial systems. Education establishes a basis for financial literacy, whereas digital literacy is increasingly vital in the realm of swiftly evolving digital financial services. Cull, Ehrbeck, and Holle (2014) elucidate that inadequate educational attainment is significantly associated with diminished financial literacy. In rural regions, where formal educational achievement is markedly inferior to that in metropolitan areas, this association poses a considerable obstacle to financial inclusion. Financial literacy includes comprehension of essential financial principles, including interest rates, savings, credit, and insurance, as well as the capacity to make informed financial choices. Inadequate education may hinder individuals' understanding of the purposes and advantages of financial services, resulting in mistrust or evasion of formal banking systems. Many may depend on informal financial methods, which provide familiarity but frequently lack security and dependability.

In remote regions, the issue is exacerbated by historical deficiencies in educational facilities and accessibility. Individuals with limited reading skills may struggle to read or comprehend bank paperwork, complete forms, or adhere to instructions for establishing and managing an account. This restricts their engagement with banks and heightens their reliance on middlemen, perhaps resulting in misinformation or exploitation. Moreover, banks may hesitate to assist low-literate clients due to perceived dangers or elevated transaction costs, perpetuating the cycle of exclusion. In addition to conventional schooling, digital literacy is becoming increasingly vital as mobile banking, online banking, and other digital financial platforms proliferate in emerging areas. Kant (2018) observes that digital technologies possess significant potential to enhance financial inclusion by surmounting geographic and infrastructural limitations. For rural communities to benefit from these advancements, they must first obtain the fundamental digital skills required to traverse these platforms. This encompasses the capability to operate cellphones, comprehend

user interfaces, safely input personal information, and analyse digital communications from financial institutions. Regrettably, rural inhabitants frequently encounter restricted access to digital technology owing to inadequate internet connectivity, exorbitant equipment costs, and insufficient training possibilities. Consequently, digital financial services, although theoretically positioned to close the inclusion gap, may remain unattainable for those who require them the most. The "digital divide" impedes financial access and exacerbates inequality between urban and rural communities.

Moreover, digital illiteracy might pose significant dangers to consumers. Individuals without digital competency may become susceptible to fraud, data breaches, or exploitative digital lending practices. Kant (2018) underscores the necessity for robust consumer protection measures and educational initiatives to foster confidence and encourage appropriate utilisation of digital financial services in rural regions. To tackle these difficulties, strategies must extend beyond enhancing infrastructure and minimising expenses. Educational and training initiatives aimed at rural populations are vital. These programs should seek to improve fundamental financial literacy and digital competencies, preferably in partnership with community organisations, local educational institutions, and financial service providers. Cull, Ehrbeck, and Holle (2014) emphasise that inclusive financial ecosystems necessitate that all individuals, beyond merely the economically privileged or urban demographics, possess the knowledge and resources essential for effective participation. Education and digital literacy are essential for facilitating access to financial services in remote areas. They enable individuals to comprehend, rely on, and utilise banking services to their benefit. In the absence of intentional measures to enhance these competencies within rural communities, financial inclusion projects may fail to achieve their objectives. Consequently, any plan aimed at improving banking access in rural regions must emphasise investment in formal education and the advancement of digital literacy to cultivate an informed and financially competent populace (Cull et al., 2014; Kant, 2018).

### **2.2.3 Gender Disparities and Banking Access**

Gender discrepancies provide a substantial obstacle to financial inclusion, particularly in rural regions where entrenched cultural norms, unequal economic possibilities, and restricted legal rights frequently inhibit women's access to formal

financial services. Financial systems have traditionally been constructed with male-centric frameworks, and in numerous developing nations, women persistently encounter institutional and societal barriers that restrict their engagement in banking and finance (Aslan, 2022). In rural regions, these gender-based patterns of exclusion are particularly evident. Although women significantly contribute to family management and informal economic activity, they often lack the financial independence required to interact with conventional banking institutions. According to Aslan (2022), women are markedly less inclined than males to possess bank accounts, seek loans, or utilise digital banking services. This disparity arises not just from individual financial capabilities but also from systemic disadvantages that obstruct women's access to financial resources and decision-making authority.

A primary factor contributing to these differences is cultural norms. In several rural areas, financial obligations and decision-making are conventionally allocated to men, although women are anticipated to oversee domestic duties. This gendered separation of tasks frequently results in restricted mobility and autonomy for women, who may be neither authorised nor encouraged to access banks or participate in financial literacy initiatives. Furthermore, certain women may be devoid of the requisite identification documents to establish a bank account, either due to a lack of registration or dependence on their husband's legal identity. Legal and documentation constraints disproportionately impact women, further excluding them from formal banking institutions (Aslan, 2022).

Economic disparity is another significant element. Women in rural regions frequently engage in low-wage or informal employment, constraining their capacity to fulfil minimal deposit requirements or to save regularly. Numerous individuals lack independent income, hindering their ability to qualify for loans or engage in productive enterprises. Moreover, even when women attain access to income, they may still lack authority over financial decisions within the household, so diminishing their motivation or capacity to utilise formal banking services. The lack of access to credit hinders several rural women from initiating or enlarging small enterprises, hence perpetuating cycles of poverty and dependency. Moreover, restricted access to education and digital resources exacerbates the issue. As previously said, financial and digital literacy are crucial for managing contemporary financial services. Women in rural regions may encounter limited access to educational and training options compared to men, resulting in a disadvantage in comprehending and using financial

services proficiently. In the absence of specific initiatives to mitigate this literacy gap, women are less likely to gain advantages from mobile banking and digital finance solutions designed to narrow inclusion disparities. To rectify these gender-based inequities, policymakers and financial institutions must implement a gender-sensitive strategy for financial inclusion. This encompasses the creation of financial products specifically designed for women, such as group savings accounts, microloans with adaptable repayment conditions, and mobile services that minimise the necessity for physical travel. Moreover, financial literacy initiatives must be explicitly tailored to include and empower women, leveraging community networks, women's organisations, and local leaders to foster involvement and trust (Aslan, 2022).

Legal reforms are essential to guarantee that women possess equal rights to property ownership, access to credit, and control over their income. Eliminating legal and structural obstacles such as the necessity for male consent or co-signature, can markedly enhance women's capacity to participate in the financial system. Gender gaps constitute a significant barrier to the attainment of inclusive financial systems, especially in rural areas. Women in rural regions encounter distinct hurdles that limit their access to financial services, arising from cultural, legal, and economic barriers. Aslan (2022) asserts that closing the gender gap in financial access is not merely an issue of equity but also a crucial catalyst for comprehensive economic development and poverty alleviation.

## **2.3 Primary Barriers to Banking Access in Rural Areas**

Access to formal banking services in rural areas is hindered by several factors, including distance to banking facilities, lack of infrastructure, high financial costs, and low levels of digital literacy.

### **2.3.1 Distance to Banking Services**

A significant and enduring obstacle to getting formal banking services in rural regions is the geographical distance separating customers from financial institutions. In numerous places globally, particularly in developing countries, banking infrastructure is predominantly situated in metropolitan centres, resulting in rural populations being neglected or completely marginalised from the formal financial system. The inequity in access mostly results from the inadequate presence of bank branches, automated teller machines (ATMs), and mobile banking agents in rural and

remote regions. Rural consumers frequently encounter the formidable obstacle of traversing extensive distances to access the nearest banking institution. This physical distance is not simply inconvenient; it incurs substantial financial and potential expenses. For individuals dependent on daily wages or subsistence farming, taking a day off to visit a bank result in lost revenue and additional transportation costs. In areas where public transport is limited or inconsistent, these challenges are exacerbated. This issue is most pronounced in the rural settlements, where inadequate infrastructure and poor road conditions impose further obstacles to movement and access (Shrestha, 2020).

Shrestha (2020) underscores that the geographical barrier to accessing financial services in rural regions frequently results in significant financial exclusion. Numerous rural inhabitants, without the financial resources and time to access remote banking institutions, choose to remain outside the formal financial system. Consequently, they are denied opportunities to save securely, obtain credit, acquire insurance, or engage in fundamental financial operations. This restricted access hinders their capacity to engage in income-generating endeavours or to withstand economic shocks, so continuing a cycle of poverty and vulnerability. The ramifications of this spatial isolation transcend individual households. The lack of financial services at the community level impedes economic growth by deterring entrepreneurship and restricting market engagement. Local enterprises frequently encounter difficulties in securing financing or effectively managing financial flows, which limits their growth potential. Moreover, financial exclusion diminishes the efficacy of governmental efforts directed at poverty alleviation, social security, and financial literacy, as these projects frequently depend on digital or banking delivery systems.

In response to these issues, numerous countries have implemented branchless banking models, including mobile banking and agent banking, as viable solutions. The efficacy of these models in rural regions is inconsistent. Although mobile banking has demonstrated potential in minimising the necessity for physical travel, its efficacy depends on additional criteria such as cell network availability, digital literacy, and faith in digital systems, elements that are often constrained in numerous rural regions. Furthermore, mobile banking agents are not consistently well-distributed, resulting in certain areas experiencing a shortage of agents or inconsistent service availability. Addressing the physical gap in access to banking services

necessitates a comprehensive strategy. Infrastructure development, especially in transport and telecommunications, is essential for facilitating rural access. Government and financial institutions should investigate economic methods for enhancing outreach, such as mobile banking units, satellite branches, and collaborations with local community organisations. Moreover, enhancing financial education and digital literacy can enable rural inhabitants to fully utilise alternative banking techniques in the absence of physical branches. Geographical remoteness from banking services constitutes a significant barrier to financial inclusion in rural regions. The absence of proximate financial infrastructure, coupled with inadequate transportation systems and economic constraints, considerably hinders rural communities' capacity to interact with formal financial institutions (Shrestha, 2020).

### **2.3.2 Lack of Infrastructure**

An essential and frequently disregarded impediment to financial inclusion in rural regions is the absence of basic infrastructure. Infrastructure, encompassing roads, energy, and internet access, constitutes the foundation of every contemporary financial system. Without these essential services, both conventional and digital banking services have considerable constraints, especially in rural areas. The lack of access to infrastructure results in a structural disadvantage impacting both the supply and demand aspects of financial service provision. A primary infrastructural difficulty is the insufficient transit network. Subpar road conditions and inadequate public transit services hinder rural communities' access to banking institutions. This poses significant challenges in monsoon-prone regions or areas where roads become inaccessible during specific seasons, rendering consistent access to financial services unreliable or unattainable. Financial institutions have logistical obstacles in providing services to remote places due to heightened expenses and operational complexities (Kasirye & Lakal, 2019).

The absence of power constitutes another significant limitation. Dependable and uniform access to electricity is crucial for the operation of ATMs, the functioning of banking facilities, and the facilitation of digital transactions. In its absence, the services of banks or mobile agents may remain inconsistent or inaccessible, even when they are available. In numerous rural regions of many countries, electrification is still inadequate, and power outages are prevalent, adversely affecting the reliability and quality of financial services. These disturbances deter both customers and

financial institutions from actively participating in rural areas, perpetuating a detrimental cycle of exclusion and underdevelopment. The challenge of internet and mobile network access is closely associated with this issue. Digital banking services, including mobile money platforms, online banking portals, and application-based financial tools, rely exclusively on stable internet or mobile connectivity. Nevertheless, rural regions frequently experience inadequate network coverage and limited broadband access. Inadequate internet infrastructure hinders the adoption of financial innovations and exacerbates the digital gap between urban and rural populations. Despite rural individuals having mobile phones, inadequate connectivity renders these devices worthless for financial purposes. The lack of banking agents or service stations in rural areas arises from these infrastructural inadequacies (Kasirye and Lakal, 2019).

Agent banking, a strategy extensively employed in financial inclusion initiatives, depends on agents' access to digital platforms, a reliable power supply, and physical security. In the absence of these, agent banking cannot operate efficiently, leaving rural populations inadequately supplied. Moreover, financial institutions frequently lack the motivation to open branches in regions where infrastructural deficiencies escalate operational expenses and diminish profit margins. The interaction between inadequate infrastructure and financial exclusion poses significant challenges for at-risk communities. Women, senior citizens, and individuals with disabilities are disproportionately impacted by the absence of accessible, dependable banking services in their vicinity. Devoid of transportation or technological resources, these individuals are marginalised from fundamental financial services, including savings, credit, and remittances, which are essential for economic resilience and upward mobility. To overcome this obstacle, governmental policies and developmental initiatives must prioritise the enhancement of rural infrastructure. Public-private partnerships aimed at enhancing rural electrification, upgrading road infrastructure, and augmenting internet access can foster an environment conducive to financial inclusion. Mobile banking and fintech solutions must be customised to operate effectively in low-connectivity settings, guaranteeing that even the most isolated populations are not excluded (Kasirye and Lakal, 2019).

### **2.3.3 Financial Costs**

The financial expense represents a significant obstacle preventing rural populations from obtaining formal banking services. For numerous individuals and households in rural regions, the expenses related to establishing and sustaining a bank account, as well as charges for fundamental financial operations, serve as significant deterrents. The financial difficulties frequently surpass the apparent advantages of utilising formal banking institutions, compelling rural inhabitants to resort to informal alternatives that, although more accessible, lack critical security and regulatory protections. A primary concern pertains to account-related costs. Banks frequently impose initial deposit prerequisites for account establishment, along with recurring maintenance fees, which may be prohibitive for low-income customers in rural areas. In developing areas, where several people rely on subsistence incomes, even a modest monthly service fee might constitute a substantial fraction of household revenue. This financial impediment deters participation in formal banking services and results in economic marginalisation. In addition to account maintenance, transaction fees exacerbate the issue. Services including cash withdrawals, inter-branch transfers, and remittances typically attract supplementary fees. These expenses disproportionately impact rural residents who, due to the limited availability of close bank branches, may be compelled to utilise out-of-network services or middlemen that impose even greater fees. For example, if a rural customer depends on a third party for withdrawals or money transfers, the associated costs may prove unsustainable over time (Zander, 2019).

Owing to these economic limitations, numerous rural inhabitants' resort to informal finance systems as alternatives. Community-based savings groups, rotating credit associations, and local moneylenders are frequently more accessible and do not impose formal fees. These systems function on the principles of trust and communal solidarity, providing flexibility regarding payback periods and accessibility. Zander (2019) underscores that although informal systems may offer short-term convenience and cost-effectiveness, they typically lack the safety, transparency, and financial goods available through licensed financial institutions. During economic crises or emergencies, the informal sector cannot often provide secure savings or dependable loans, hence heightening user risk. Furthermore, the deficiency of financial literacy frequently intensifies the problem of both perceived and actual expenses (Zander, 2019).

A significant number of rural inhabitants lack awareness of fee structures or may misinterpret the conditions of service, resulting in distrust or discontent. This distrust is exacerbated when concealed fees or penalties are imposed without adequate clarification, leading many to forsake banking entirely. This not only diminishes the reach of financial institutions but also erodes confidence in the formal financial sector. The elevated expense of financial services restricts the use of digital banking systems in rural regions. Mobile banking and agent banking may diminish the physical and temporal expenses associated with banking; yet, when digital services entail usage fees or necessitate cellphones and mobile data subscriptions, the financial burden remains. This is especially troubling in regions with unreliable cell network coverage and limited digital literacy, which further discourages rural clients from adopting financial technology. Mitigating the financial cost barrier necessitates comprehensive legislative and institutional initiatives. Financial institutions could reevaluate pricing methods for rural markets by providing no-frills accounts or subsidised services targeted at low-income demographics. Governments and development agencies can contribute by enhancing financial literacy and subsidising banking expenses in underprivileged regions. Furthermore, clear disclosure regarding fees, together with customer protection mechanisms, can facilitate the restoration of trust and promote the adoption of formal banking (Zander, 2019).

#### **2.3.4 Cultural and Psychological Barriers**

In discussions regarding financial inclusion, physical and economic obstacles are frequently emphasised. Cultural and psychological barriers significantly restrict access to and utilisation of financial services among rural populations. These obstacles, albeit less apparent, are profoundly ingrained in the social conventions, conventional belief systems, and historical experiences of rural communities. These issues may lead to resistance to formal banking systems, diminished trust in financial institutions, and a preference for informal saving and borrowing practices. A significant cultural obstacle observed in rural areas is the community's entrenched dependence on conventional financial methods. In numerous rural communities, particularly in developing nations, financial transactions such as saving and borrowing frequently occur within tight-knit family units, informal savings collectives, or via tangible assets. Rural residents may opt to invest in livestock, agricultural inputs, gold, or land rather than engaging with formal banks' assets that

are tangible, culturally familiar, and regarded as more secure and comprehensible than abstract banking products (Sharma et al., 2018).

The absence of trust in official financial organisations constitutes a significant psychological obstacle. Numerous rural residents, especially those with less banking experience, may possess doubts regarding the motives and dependability of these institutions. This distrust may arise from previous adverse experiences, including fraud, unforeseen charges, or perceived bias from banking staff. Moreover, the intricate terminology and bureaucratic processes of formal banks may intimidate or alienate prospective rural clients, exacerbating psychological distance and discouraging participation. A further aspect of psychological obstacles is the reluctance to embrace new financial technologies. As mobile banking, agent banking, and online platforms proliferate, digital tools have become important in enhancing financial inclusion. Nevertheless, in numerous rural regions, individuals may exhibit reluctance to embrace these services owing to a deficiency in familiarity or confidence with digital devices. Apprehensions regarding the security of mobile transactions, anxiety over potential financial loss due to errors or fraud, and insufficient digital literacy collectively foster this reluctance. Furthermore, low levels of financial awareness exacerbate these barriers. Many rural individuals are unaware of the benefits of formal banking, such as secure savings, access to credit, insurance, and financial planning services. Without sufficient knowledge about how banking services can enhance their economic well-being, rural residents are less likely to take the initiative to open bank accounts or use financial products. Misconceptions and myths, such as the belief that one needs a large sum of money to open a bank account or that banks are only for wealthy or urban populations, often persist in rural settings. These misunderstandings, combined with fear of financial loss or embarrassment due to lack of knowledge, can inhibit individuals from even approaching banking institutions (Sharma et al., 2018).

Cultural norms regarding gender roles may also influence psychological barriers, especially for women. In some rural communities, women may require permission from male family members to engage in financial activities or may feel socially restricted from visiting banks or interacting with male staff. These psychological constraints, though not always formally codified, can limit women's financial autonomy and access. To address cultural and psychological barriers, interventions must go beyond infrastructure and cost-reduction strategies. Building

trust through community-based outreach programs, promoting financial literacy, employing local staff at banking institutions, and designing culturally appropriate financial products are essential. Trust can also be enhanced by offering transparent and user-friendly services, reducing bureaucratic hurdles, and ensuring respectful customer service that aligns with local norms.

## **2.4 Digital Banking Solutions and Their Effectiveness**

Banking solutions, such as mobile banking and online banking, have been touted as key tools for promoting financial inclusion, especially in remote and underserved areas. These platforms can reduce the need for physical banking infrastructure and provide access to financial services for people who are otherwise excluded from traditional banking systems (Aker and Mbiti, 2010).

### **2.4.1 Mobile Banking**

Mobile banking has become a vital instrument for improving financial inclusion, particularly in rural and neglected areas where conventional banking infrastructure is insufficient or challenging to access. The increasing accessibility of mobile phones and the enhancement of mobile network coverage have generated new prospects for extending banking services to groups once marginalised from conventional financial institutions. Individuals can now execute various financial transactions such as remittance transfers, utility payments, and credit access through mobile money platforms, digital wallets, and SMS-based banking services, eliminating the need to visit a physical bank branch. Mobile money services have been notably efficacious in Sub-Saharan Africa, a location where traditional banking services are frequently limited, particularly in rural areas. The extensive adoption of mobile phones has enabled financial service providers to bypass conventional infrastructure and access remote populations. In nations such as Kenya and Ghana, mobile money platforms like M-Pesa have transformed financial management, allowing even low-income individuals to securely store funds, conduct cashless transactions, and establish financial histories that may render them eligible for microloans or insurance products. This model illustrates that mobile banking can bridge substantial financial inclusion disparities when the supportive conditions, such as mobile network accessibility and intuitive technology, are available (Amoah et al., 2020).

The mobile banking scene has swiftly evolved, especially with the liberalisation of the telecoms industry and the consequent increase in mobile phone ownership. Financial service providers have launched an array of mobile banking products, encompassing digital wallets, mobile applications, and USSD-based services designed for users of both smartphones and basic feature phones. These technologies enable customers to verify account balances, execute financial transfers, and settle debts with minimal physical interaction with banking personnel or equipment. Nonetheless, although metropolitan regions have experienced significant development in mobile banking usage, rural acceptance has progressed at a markedly slower pace (Amoah et al., 2020). Amoah et al. (2020) attribute this gap mostly to the digital divide, marked by restricted access to smartphones, inadequate mobile internet coverage, and low digital literacy in rural areas. A primary advantage of mobile banking is its cost-efficiency and ease. In contrast to conventional banks that necessitate physical branches and substantial operational expenditures, mobile banking solutions can be implemented with comparatively cheaper investment and sustained through digital platforms. This renders it economically viable for service providers to offer services to rural and low-income demographics. Additionally, mobile banking provides time efficiency and diminishes travel expenses for customers, enhancing the accessibility of financial services for individuals residing in remote areas. Nonetheless, certain obstacles impede the complete realisation of mobile banking in rural areas. The inadequate digital literacy of rural populations persists as a fundamental concern. A significant number of individuals experience discomfort in navigating mobile applications or comprehending the procedures associated with mobile banking services. Moreover, in regions with poor literacy rates, individuals may encounter difficulties with SMS or USSD banking, which typically necessitate reading comprehension and fundamental numeracy skills. Moreover, inconsistent electrical supply and restricted access to mobile data or Wi-Fi in rural areas further hinder customers' capacity to sustain reliable connectivity with mobile banking platforms. A further impediment is trust. In communities unacquainted with digital technology, there may be apprehension regarding financial loss stemming from user mistakes, fraud, or system malfunctions. This psychological reluctance may hinder consumers from completely embracing digital tools while possessing the requisite hardware. Financial institutions must consequently invest in

community-oriented awareness initiatives and digital literacy campaigns to enhance user confidence and promote adoption (Amoah et al., 2020).

Mobile banking presents significant potential for improving financial inclusion in rural regions, providing a scalable and flexible approach to address the banking access disparity. Its performance in locations such as Sub-Saharan Africa demonstrates its promise; nevertheless, contextual challenges, including digital illiteracy, inadequate infrastructure, and user mistrust, must be mitigated for comparable success in rural areas. Addressing these challenges necessitates a collaborative strategy, incorporating governmental assistance, private sector ingenuity, and grassroots educational and trust-building efforts (Amoah et al., 2020).

#### **2.4.2 Online Banking**

Online banking has become a significant instrument in promoting financial inclusion by allowing individuals to do various banking transactions remotely through the Internet. This encompasses verifying account balances, executing financial transfers, settling payments, administering loans, and utilising savings and investment services. Online banking theoretically offers a convenient, efficient, and cost-effective means of providing financial services to previously unbanked or underbanked populations, especially individuals in remote regions. In practice, the accessibility and efficacy of online banking in rural areas, particularly in developing nations, are hindered by many socio-economic and infrastructural constraints. Online banking systems necessitate a reliable internet connection, access to digital devices such as smartphones or PCs, and a requisite level of digital literacy for navigation. In numerous rural regions, these requirements are either inadequate or entirely absent. Rural towns frequently experience insufficient telecommunications infrastructure, low smartphone ownership rates, and unreliable electrical supply, all of which hinder their regular engagement with online banking services. The issue is especially severe in areas with poor or inconsistent network connectivity, hindering consumers' ability to access banking portals or execute online transactions efficiently. Moreover, the expense associated with using online banking may be burdensome for low-income residents in remote areas. In addition to acquiring a smartphone or computer, consumers must additionally bear ongoing data fees or broadband subscriptions, which are sometimes prohibitive for families residing at or below the poverty threshold. In these situations, online banking may become a privilege of the urban and

affluent, exacerbating existing inequities in access to financial services (George et al., 2024).

A study emphasised the significance of education and technological proficiency in influencing the adoption of internet banking. Despite the availability of digital infrastructure, numerous rural individuals, particularly elderly folks and those with no formal education, perceive internet banking systems as daunting or perplexing. Intricate interfaces, linguistic obstacles, and an absence of sequential instructions may dissuade users from initiating or persisting in the utilisation of these services. Some individuals may dread committing irreversible errors or succumbing to internet fraud, resulting in a preference for conventional banking techniques or informal financial activities like community-based savings organisations. Notwithstanding these constraints, online banking retains significant promise as a sustainable option for financial inclusion. In regions experiencing enhanced connection and the cultivation of digital skills, internet banking offers round-the-clock access to secure and varied financial services. During crises, such as the COVID-19 epidemic, online banking services facilitated consumer transactions while reducing physical touch. This illustrated the robustness and efficacy of online systems, especially when bolstered by supplementary legislation and infrastructure investment. A diversified approach is required to enhance the efficacy of online banking in rural regions. Initially, expenditures must be directed on rural digital infrastructure, encompassing enhanced broadband accessibility and reliable electrical supply. Secondly, banks and financial institutions should emphasise user-centric designs that cater to low-literacy demographics, incorporating local languages, intuitive icons, and voice-assisted interfaces. Third, governments and civil society ought to engage on digital literacy initiatives that instruct users on the secure and confident utilisation of online financial instruments. Moreover, the integration of online banking with additional outreach techniques, like mobile banking and financial literacy initiatives, can foster an ecosystem in which rural consumers progressively develop the trust and competencies required to shift from informal to formal financial systems. Online banking should not be regarded as an isolated solution but as an integral component of a comprehensive financial inclusion plan designed to address the specific requirements and limitations of rural areas (Zander, 2019).

Although online banking holds significant potential for enhancing financial inclusion, its effectiveness in rural regions is largely contingent upon infrastructural

preparedness, cost-effectiveness, user education, and platform accessibility. According to George et al. (2024) and Zander (2019), addressing these difficulties necessitates continuous investment, interdisciplinary collaboration, and a human-centered design methodology to guarantee that internet banking serves as a means of inclusion rather than exclusion.

## **2.5 Review on Previous Study**

An extensive examination of the current literature on financial inclusion in rural regions uncovers several interrelated obstacles that impede rural communities from completely accessing and benefiting from formal financial services. The examined studies encompass diverse geographic contexts and utilise various approaches, providing extensive insights into the problems related to rural banking access.

Ohn and Sone (2016) examined perceptions of unbanked individuals regarding banking services in Myanmar, focusing on populations lacking formal banking access across several regions. The objective was to identify barriers and attitudes toward formal banking services. Survey findings revealed widespread mistrust of banking institutions, lack of necessary documentation, low financial literacy, and cultural preferences for cash transactions as primary obstacles. The study also found that unbanked individuals perceived banking services as costly and complex, which discouraged engagement. Despite recognizing benefits of formal banking, many preferred informal financial mechanisms. Limitations involved the qualitative nature of the research and challenges in capturing diverse regional perspectives comprehensively.

Lwin (2018) investigated the impact of credit accessibility on farmer households in a selected township. The study population comprised farming households relying on agricultural credit. The objective was to evaluate how access to credit influenced farm productivity and household welfare. The structured sample revealed that farmers with improved credit access were able to adopt advanced farming techniques, purchase quality seeds and fertilizers, and increase crop yields significantly. Moreover, access to credit correlated with enhanced food security and better education opportunities for household members. However, the cross-sectional design limited causal interpretations, and sample selection bias may have influenced the results.

Win (2018) studied credit accessibility and the effectiveness of loans on farm performance in Wakema Township, Ayeyarwady Region. The research targeted local farmers who had obtained loans to assess the impact of credit on agricultural outcomes. Findings indicated that loan access improved farm productivity, enabling

investment in mechanization and diversification of crops, which led to increased income and livelihood resilience. Additionally, the study highlighted that timely credit disbursement and flexible repayment schedules positively influenced loan effectiveness. Nevertheless, challenges such as high-interest rates and inadequate financial literacy impeded optimal loan utilization. Limitations included the study's restriction to a single township and a relatively short timeframe for data collection.

Khaing (2018) explored the effect of credit accessibility on farm performance in Ngaputaw Township, Ayeyarwady Division. The study targeted smallholder farmers dependent on agricultural credit. The research objective was to determine the relationship between credit availability and farm productivity. The sample demonstrated that farmers with easier access to credit invested more in farm inputs and technology, resulting in higher yields and improved income levels. The study also observed that credit access contributed to risk mitigation during adverse climatic conditions by enabling the timely purchase. However, limitations included the narrow geographic scope and potential reporting biases among participants, which could affect the robustness of conclusions.

Naing (2019) focused on the credit market for rural development in Myanmar, specifically within Taikkyi Township. The study population consisted of rural households engaged in agricultural activities. The primary objective was to analyze the role and effectiveness of credit markets in supporting rural development. Using a sample of local farmers and credit recipients, the study revealed that access to formal credit significantly enhanced agricultural productivity by enabling farmers to invest in better inputs, technology, and diversify crops. It also improved household income stability and reduced dependence on informal lenders with high-interest rates. However, the study highlighted limitations including a relatively small geographic scope and potential biases due to self-reported data, which may affect the generalizability of the findings across other regions.

Grootenhuis (2019) examined mobile money and its impact on financial inclusion in Myanmar, covering diverse urban and rural communities with limited access to formal banking. The study aimed to understand how mobile money platforms contributed to expanding financial services. Findings demonstrated that mobile money services substantially increased financial inclusion by providing accessible, secure, and affordable transaction methods, particularly benefiting women, rural populations, and small business owners. The study also found that mobile money facilitated emergency fund transfers and encouraged savings habits. Despite these benefits, challenges such as regulatory uncertainties, limited agent networks, and user trust issues persisted. Limitations included reliance on secondary data and the absence of longitudinal analysis to assess sustained impact over time.

Tun (2023) conducted research on digital financial inclusion in Myanmar, focusing on ShwePaukKan Township, Yangon. The study targeted residents who had limited access to traditional banking services and explored the adoption of digital financial platforms. The objective was to assess how digital financial inclusion could enhance financial access and economic participation, especially among marginalized groups. The sample included both users and non-users of digital financial services. Key findings indicated that digital financial inclusion significantly increased convenience, lowered transaction costs, and expanded access to credit and savings products for underserved populations. However, infrastructural challenges such as limited internet connectivity, low digital literacy, and cybersecurity concerns were significant barriers to broader adoption. The study's limitations involved the nascent stage of digital finance in the area, which might limit the understanding of long-term effects.

These studies provide valuable insights into how credit accessibility and financial inclusion initiatives influence rural development and agricultural productivity in Myanmar. They underscore the benefits of both traditional credit markets and emerging digital financial services while highlighting persistent challenges such as infrastructural constraints, financial literacy gaps, and regulatory issues. The limited geographic scopes and methodological constraints identified suggest the need for broader, longitudinal research to guide effective policy interventions.

## **CHAPTER III**

### **OVERVIEW OF BANKING SERVICES IN MYANMAR**

In this chapter, the discussion shifts to provide a comprehensive overview of banking services in Myanmar, an essential component of understanding the financial landscape affecting rural communities. This chapter explores the structure of the Myanmar banking system and assesses the current state of financial inclusion, particularly as it pertains to rural populations. It highlights the role of mobile financial services, which have emerged as crucial tools for enhancing access to banking in areas previously underserved. Furthermore, the chapter examines the economic contributions of banking services while addressing the informal financial activities that are prevalent among rural communities. By linking these insights to the barriers identified in the previous chapter, the discussion underscores the complexities and challenges faced by rural residents in accessing formal banking services. The chapter concludes by exploring recent opportunities and reforms that hold the potential to improve rural financial access, setting the stage for a deeper analysis of the implications for financial inclusion in Myanmar.

#### **3.1 Myanmar Banking System**

The banking sector in Myanmar has experienced significant adjustments since independence, mostly influenced by the nation's changes in political philosophy and economic policy. The inception of Myanmar's state-owned banking system commenced with the founding of the State Commercial Bank (SCB) in 1954, intended to foster economic development through the provision of financial services across the nation (Ministry of Planning and Finance, 2025). The SCB had quick expansion, and by 1962, it operated 40 branches nationwide. Nonetheless, the implementation of socialism in 1962 resulted in a significant transformation of the banking sector. In 1963, all private and existing banks underwent nationalisation. The People's Bank of the Union of Burma Act of 1967 established a unified banking system, combining all institutions

under the People's Bank. Notwithstanding the aim to optimise financial management, this centralisation demonstrated inefficiency and a lack of responsiveness to the requirements of an expanding economy. In response to the deficiencies of this centralised system, the 1975 Bank Act was implemented to reform the banking sector. This resulted in the breakup of the People's Bank and the subsequent foundation of four distinct state-owned banks in 1976: the Union of Burma Bank (UBB), Myanmar Economic Bank (MEB), Myanmar Foreign Trade Bank (MFTB), and Myanmar Agricultural Development Bank (MADB). The MEB succeeded the SCB, concentrating on domestic banking services, whereas the MFTB and MAB were assigned to manage foreign transactions and agricultural loans, respectively. Subsequent to the economic liberalisation initiated in 1988, Myanmar embraced a market-oriented strategy, leading to substantial reforms in the banking sector. The Central Bank of Myanmar (CBM) Law and the Financial Institutions of Myanmar (FIM) Law, enacted in 1990, sought to modernise the banking system in accordance with international norms. These legal revisions officially acknowledged MEB as a state-owned commercial bank, enabling it to provide an expanded array of services. In 2025, MEB conducts domestic and international banking operations via a comprehensive network of 315 branches, 14 regional banking offices, and six head office departments situated in Naypyitaw (Ministry of Planning and Finance, 2025).

The functions of MEB have expanded considerably to encompass a wide array of commercial and development banking services. This encompasses accepting deposits, issuing credit, maintaining cheques, engaging in foreign exchange, and facilitating trade, especially in Myanmar's border regions. MEB is responsible for distributing pensions to retired civil personnel and overseeing state finances for the Central Bank. MEB operates as a vital component of state financial administration under the supervision of three governance bodies: the Board of Directors, the Credit Committee, and the Executive Committee. The bank synchronises its operations with the overarching economic directives established by the Ministry of Planning and Finance. The mission of MEB demonstrates a dedication to improving public financial accessibility via contemporary banking technologies, all while preserving public confidence. The policy objectives are service harmonisation, technological enhancements, and service expansion. The goal focusses on enhancing accessibility and efficiency in banking services, especially for underserved and rural communities, an element that clearly correlates with our thesis on the obstacles to financial

inclusion in rural Myanmar. The constraints addressed in preceding chapters namely infrastructural deficiencies, insufficient awareness, and affordability issues highlight the necessity for a resilient, inclusive, and flexible banking system (AsianBanks.Net, 2025).

The function of state-owned institutions such as MEB is increasingly crucial in closing the financial gap between rural and urban areas by providing key banking services in regions where private banks may lack motivation to operate. In addition to MEB, Myanmar's banking sector include additional state-owned institutions, including the Myanma Investment and Commercial Bank, the Myanma Foreign Trade Bank, and the Myanma Agricultural Development Bank. Collectively, they provide specialised roles ranging from trade finance to agricultural lending. In addition, there are more than 20 private banks, including prominent institutions such as Kanbawza Bank (KBZ), Ayeyarwady Bank (AYA), and Yoma Bank, some of which are partially controlled by the government. The Central Bank of Myanmar regulates these institutions, while additional supportive entities such as the Securities and Exchange Commission and the Ministry of Planning, Finance, and Industry assist in sectoral regulation and development. Notwithstanding this institutional diversity, rural regions persist in encountering difficulties in obtaining formal banking services, a primary focus of this thesis. Numerous private banks concentrate on metropolitan areas for profitability, so rendering rural communities dependent on public banks, informal systems, or microfinance institutions. Due to MEB's mandate and extensive presence, it is crucial in furthering the state's objectives for inclusive financial services, especially in areas where commercial banks have limited market incentives. Consequently, examining MEB's structure, policy aims, and outreach skills provides essential insights on enhancing banking services in Myanmar to promote financial inclusion among rural populations (AsianBanks.Net, 2025).

### **3.2. Financial Inclusion, Mobile Financial Services and Rural Population**

Myanmar is experiencing a gradual but significant transformation in its financial sector, which continues to rank among the least developed globally, notwithstanding recent reform initiatives. The government has prioritised financial reform on the national economic agenda; yet, substantial structural and behavioural obstacles continue to impede effective participation, particularly for rural populations. The nation's financial system remains predominantly cash-based, a consequence of a

history marked by hyperinflation, public distrust stemming from previous bank failures, and insider lending scandals. The systemic issues have resulted in an exceedingly low financial penetration rate, under 10% of citizens possessing a bank account, and fewer than 0.1% participate in formal credit markets. Consequently, a significant segment of the population, especially individuals in rural and isolated regions, remains financially marginalised, relying on informal financial institutions, including unregulated remittance agencies and illicit currency conversion methods. The Central Bank of Myanmar (CBM), founded under the CBM Law of 1990 and restructured under the 2013 statute, has implemented substantial measures to stabilise the financial system and advance modernisation. The 2013 CBM Law established central bank independence, required clear reserve mandates, and sought to stabilise the national currency, the kyat. Additionally, structural reforms, including the 2012 implementation of a controlled floating exchange rate and the establishment of an automatic clearing and Real-Time Gross Settlement (RTGS) system, have established the foundation for financial modernisation. The CBM has supervised the incremental liberalisation of foreign banking, issuing licenses to 13 foreign bank branches by 2020 and implementing new regulations permitting these institutions to enter the retail banking sector. Notwithstanding these initiatives, conventional banking services have not successfully infiltrated rural Myanmar, characterised by inadequate financial infrastructure, elevated transaction costs, and little digital literacy (Charltons, 2025).

In this context, mobile financial services (MFS) have arisen as a viable substitute for conventional banking in advancing financial inclusion. The transformation was facilitated by the liberalisation of Myanmar's telecoms industry in 2014 and the implementation of the telecoms Law in 2013, which promoted foreign direct investment and accelerated mobile phone use. In 2016, the CBM promulgated laws for mobile financial services, permitting mobile network operators (MNOs), banks, and non-bank financial institutions (NBFIs) to offer mobile payment and money transfer services, specifically for transactions denominated in kyat. Two separate licenses were established: the Mobile Banking Licence for collaborations with licensed banks, and the Mobile Financial Service (MFS) Licence, for non-banking entities to operate autonomously. Prominent licence holders comprise Wave Money, OK Dollar, MytelPay, M-Pitesan, and MPT Money, all functioning with substantial networks of agents or 'human contact points' nationwide. These mobile platforms have markedly enhanced rural financial accessibility by offering affordable, user-

friendly financial services without necessitating actual bank facilities. Mobile agents in rural villages provide cash-in and cash-out services, allowing residents to send remittances, execute payments, and conduct fundamental financial activities without the need to travel to urban areas. This agent-based paradigm has been popular due to its accessibility, rapidity, and ease, especially in regions where conventional banking is either nonexistent or constrained by geography and infrastructure. The Myanmar Financial Inclusion Roadmap (2019–2023) identifies digital financial services as essential for promoting financial inclusion and fostering rural economic development (Charltons, 2025).

Nonetheless, obstacles persist in completely actualising the potential of mobile financial services for rural communities. Insufficient digital literacy, legal ambiguities, inconsistent connectivity in rural regions, and enduring scepticism towards financial institutions provide ongoing challenges. Furthermore, although the uptake of MFS has accelerated, its utilisation is inconsistent, with numerous low-income individuals continuing to depend on informal financial methods for savings and credit. Confronting these difficulties necessitates a multi-stakeholder strategy that includes public policy reform, consumer education, infrastructural investment, and private-sector innovation. Although Myanmar's formal financial system is weak and mostly inaccessible to the rural populace, the swift emergence of mobile financial services offers a feasible avenue for attaining financial inclusion. These services, bolstered by legislative reforms and enhanced telecommunications coverage, present a potential to close the financial gap between urban and rural areas. As Myanmar advances its Financial Inclusion Roadmap, the incorporation of mobile financial services into the everyday routines of rural inhabitants will be crucial for establishing a more inclusive, robust, and egalitarian financial system (Charltons, 2025).

### **3.3. Financial Inclusion Coverage and Rural Population in Myanmar**

The banking sector in Myanmar has experienced significant expansion in recent years, with total assets increasing at an average annual rate of 22% over four years. As of March 2016, total assets of the banking industry reached around 42,357 billion kyat, or about US\$31.6 billion, constituting roughly 55% of the nation's Gross Domestic Product (GDP) (Schellhase & Sun, 2017). This expansion has primarily been propelled by domestic, privately owned banks, whose balance sheets have increased tenfold since 2010. In early 2016, privately owned and semi-private banks

managed over 52% of total banking assets, exceeding state-controlled institutions for the first time. These developments signify that Myanmar's banking system is undergoing a significant transition towards privatisation and diversification, both of which are crucial for financial deepening and inclusion.

Privately owned banks have made considerable progress in mobilising deposits on the liability side. In 2013, deposits were approximately evenly allocated between private and state-owned banks; however, by 2016, private banks had augmented their share to 64%. Total system-wide deposits increased from 7,010 billion kyat (US\$8.2 billion) in 2011–2012 to 25,883 billion kyat (US\$19.2 billion) in 2015–2016. The International Monetary Fund anticipated that deposits will almost quadruple by 2018–2019, attaining 48,819 billion kyat (about US\$36.4 billion). Although these statistics indicate a swiftly expanding financial industry, the total degree of financial inclusion in Myanmar remains relatively low, particularly in rural regions (Schellhase & Sun, 2017).

In comparison to its ASEAN counterparts, Myanmar's financial inclusion is significantly underdeveloped. In 2016, domestic lending to the private sector was merely 18% of GDP in Myanmar, in contrast to 63% in Cambodia and above 150% in Thailand (World Bank, 2016). Regarding financial access, merely 192.5 out of every 1,000 adults in Myanmar possessed deposit accounts with commercial banks, while only 3.3 per 1,000 had secured loans from them. In comparison, the number of depositors per 1,000 adults was 834 in Malaysia and 1,198 in Thailand. Furthermore, only 7.1% of Myanmar enterprises utilised bank loans for investment financing, while a measly 11.2% employed them for working capital needs. These data underscore the significant disparity between Myanmar and its more economically integrated neighbours. The inadequate degree of financial penetration is particularly evident among rural populations, where banking infrastructure is deficient and faith in formal institutions is minimal. A significant share of economic transactions continues to occur outside the traditional banking sector. In 2016, approximately 15% of GDP was maintained in physical currency outside the banking system, whereas merely 30% was retained in bank accounts (Schellhase & Sun, 2017). This disparity indicates that approximately one-third of the circulating cash was neither deposited in nor facilitated by regulated financial entities. Moreover, over 52% of personal financing was executed via unregulated, informal suppliers. The predominance of these illegal financial transactions indicates a deficiency of faith in conventional banking

institutions and the logistical obstacles rural residents encounter in obtaining banking services. The absence of robust credit information systems exacerbates these concerns (Schellhase & Sun, 2017).

In 2016, the coverage of private and public credit bureaus in Myanmar was nearly nonexistent, affecting 0% of the adult population. In the absence of dependable credit history records, banks encounter substantial obstacles in extending loans, especially to small-scale rural borrowers. This further underscores the informal character of rural financial ecosystems, wherein moneylenders and informal loan agreements provide the principal source of financing for agriculture, small enterprises, and household requirements. Although Myanmar's banking system has demonstrated significant growth in assets and deposits, its reach and effect on rural financial inclusion are still constrained. The data indicates that financial services remain concentrated in urban regions and are predominantly utilised by affluent, well-connected segments of the population. For rural communities, which represent the bulk of the population and are integral to the nation's agricultural economy, formal financial inclusion remains an elusive objective. Addressing this disparity necessitates fundamental improvements in banking and credit institutions, with the advancement of alternative financial platforms such as mobile financial services that align more effectively with the reality of rural living in Myanmar. The future of financial inclusion in Myanmar is heavily reliant on the integration of mobile technologies into the financial ecosystem, particularly in underprivileged and distant areas (Schellhase & Sun, 2017).

#### **3.4. Economic Contributions of Myanmar Banking Services and Needs for Financial Inclusion of Rural Population**

The banking industry is essential for a nation's economic development by mobilising savings, providing loans, and facilitating payments and investments. In Myanmar, despite recent expansion of the banking sector, its overall impact on economic growth and inclusive development, especially in rural regions remains constrained relative to its regional counterparts. The existing data highlight the ongoing contributions of the banking sector and the considerable unmet demands for financial inclusion, particularly in rural areas where access to formal financial services is limited (Chassat & Foerster, 2016).

Table 3.1a demonstrates that Myanmar's banking assets-to-GDP ratio was 49

percent in 2015, ranking lower than Cambodia (98%), Thailand (128%), Vietnam (175%), and Malaysia (204%). Indonesia, despite its comparatively modest GDP per capita of US\$3.5, surpasses Myanmar in banking asset penetration, exhibiting a banking assets-to-GDP ratio of 57 percent. These findings indicate that Myanmar's financial sector, while expanding, remains underdeveloped compared to regional benchmarks and is not adequately utilised to facilitate inclusive economic reform. A robust banking system is a crucial foundation for inclusive economic participation, especially in providing credit access and secure financial services in underserved rural regions. Despite Myanmar's GDP per capita being US\$1.3 in 2015, signifying a low-income economy, nations with comparable or inferior GDP per capita such as Cambodia (US\$1.1), have attained greater banking penetration in relation to GDP. This signifies structural and institutional limitations that impede Myanmar's banking system from playing a more substantial role in fostering inclusive economic development (Chassat & Foerster, 2016).

Table 3.1b further underscores the issue of restricted financial access by presenting data on bank account ownership among individuals aged 15 and older. In 2014, about 23 percent of Myanmar's adult populace maintained a bank account, while only 2 percent owned a debit card. The limited account ownership indicates insufficient financial inclusion and highlights the inadequacy of formal banking services, particularly in rural areas where the majority of the unbanked population lives. Conversely, Malaysia and Thailand exhibit markedly elevated account ownership percentages of 81% and 78%, respectively, bolstered by extensive financial infrastructure and marketing efforts (Chassat & Foerster, 2016).

The rural-urban disparity in Myanmar constitutes a significant obstacle to equitable banking access. Many rural regions are deficient in sufficient physical banking infrastructure, hindering inhabitants' capacity to save securely, acquire credit, or utilise payment and remittance services. Table 3.1c reveals that Myanmar possessed roughly 4.3 bank branches per 100,000 inhabitants in 2014. This value is comparable to Vietnam (3.8) and marginally superior to Cambodia (5.6), although it significantly lags behind the metrics observed in more developed financial systems such as Thailand (12.7), Indonesia (11), and Malaysia (10.7). The restricted branch density poses significant challenges in Myanmar, attributable to its topography and the scattered rural populace, hence rendering branch-based banking increasingly inaccessible for residents of isolated villages and ethnic regions. The ramifications of

diminished branch density and account ownership are extensive. In the absence of institutional financial services, rural communities are compelled to depend on informal and frequently exploitative financial systems, such as moneylenders. These informal agreements generally lack transparency, present disadvantageous conditions, and fail to encourage long-term savings or investments. Moreover, the lack of financial access obstructs governmental initiatives to execute social security programs, provide financial assistance, or promote rural business (Chassat & Foerster, 2016).

Table (3.1a) Banking Assets-to-GDP Ratio (2015) (%)

	Bank Assets(%)	GDP Per Capita	Banking Assets-to-GDP Ratio
Myanmar	18%	1.3	49%
Indonesia	15%	3.5	57%
Cambodia	23%	1.1	98%
Thailand	5%	5.7	128%
Vietnam	13%	2.1	175%
Malaysia	8%	9.6	204%

Table (3.1b) Bank Account Ownership (2014) (% Population aged 15+)

	Has Bank Account (% Population Aged 15+)	Has A Debit Card (% Population Aged 15+)
Cambodia	22%	5%
Myanmar	23%	2%
Vietnam	31%	27%
Indonesia	36%	26%
Malaysia	81%	41%

Table (3.1c) Density of Bank Branch Network (2014)

	Number of Bank Branches Per 100,000 Population
Vietnam	3.8
Myanmar	4.3
Cambodia	5.6
Singapore	10.6
Malaysia	10.7
Indonesia	11
Thailand	12.7
Hongkong	22.7

Source: Chassat & Foerster (2016)

Chassat and Foerster (2016) emphasise that enhancing financial inclusion pertains not just to economic efficiency but also to social equity. An inclusive financial system in Myanmar could facilitate rural development, diminish income inequalities, and enhance resilience to economic shocks. For example, when rural people have access to savings accounts or microloans, they are more inclined to engage in agriculture, small enterprises, or education, directly contributing to local and national development objectives.

To address the financial inclusion deficit, particularly in rural Myanmar, strategic initiatives are required to enhance banking infrastructure and implement alternative delivery mechanisms, such as mobile financial services. The proliferation of mobile networks and smartphones in remote areas offers a chance to bypass conventional banking limitations. Mobile platforms can diminish transaction costs, enhance convenience, and broaden access to digital savings, credit, and insurance goods without the necessity of physical bank offices. Although Myanmar's banking industry is starting to facilitate economic development, its existing structure and reach are inadequate for achieving widespread financial inclusion, especially among the rural populace. Comparative data with ASEAN nations underscore the untapped potential and the pressing need for policy and investment initiatives. Enhancing financial accessibility via traditional and digital banking methods is essential to guarantee that the rural populace is not excluded from the nation's financial and economic advancement (Chassat & Foerster, 2016).

### **3.5 Informality and Non-Bank Financial Activities Among the Myanmar Rural Population**

In Myanmar, a significant portion of the rural population is excluded from the formal banking system, relying instead on informal and non-bank financial activities to meet their daily financial needs. The prevalence of financial informality highlights the limited access to traditional banking institutions and the entrenched socio-economic challenges in rural areas. Despite the growing recognition of the importance of financial inclusion, formal financial services have not effectively reached the majority of rural residents in Myanmar. Understanding the behaviours, preferences, and needs of these communities is crucial for developing inclusive financial systems that adequately serve the underserved. The “Making Access to Financial Services Possible” (MAP) survey, conducted by UNDP, UNCDF, CENFRI, and Finmark Trust

with LIFT's support, provides important insights into the financial conditions of rural individuals in Myanmar. The study, based on interviews with 5,100 households, illuminates the rural economy. 70% of households are located in rural areas, have low educational attainment, and face inadequate infrastructure, including electricity and road access. The average journey to the nearest bank branch takes 90 minutes, significantly hindering access to formal financial services. Consequently, only 5% of individuals have a bank account, and less than 5% maintain formal savings accounts. As a result, a substantial proportion of rural residents remains marginalized from the formal financial system (Duflos and Luchtenburg, 2014).

In light of this situation, informal financial activities thrive. The MAP survey indicates that over 50% of financial access is obtained through informal channels, such as loans from family, friends, and moneylenders, rather than through traditional financial institutions. Indeed, five times as many individuals rely on informal sources compared to formal lenders. Approximately 6 million adults each year borrow from unlicensed moneylenders, leading to an informal debt total of about \$3.9 billion. These informal lenders often charge exorbitant interest rates, resulting in cases of over-indebtedness, as indicated by 2% of respondents who reported being unable to repay their debts. Saving behavior further reflects informality. While 70% of respondents acknowledge the importance of saving, most keep their money at home in non-currency forms, such as livestock or gold. This trend is driven by both skepticism about formal institutions and practical barriers, such as high transaction costs, the lack of documentation, and inconsistent income sources. Furthermore, 63% of respondents indicated that their earnings are insufficient for saving in financial institutions, and many believe that only those in formal employment can open a bank account (Duflos and Luchtenburg, 2014).

Nevertheless, amidst these challenges, growing opportunities are emerging, particularly in the realm of digital and mobile financial services. The introduction and expansion of mobile money platforms like Wave Money and KBZPay, supported by telecommunications providers and financial technology entrepreneurs, offer viable alternatives to traditional banking institutions. The rise of fintech and mobile financial services is transforming financial inclusion strategies in countries like Myanmar, where conventional banking infrastructure is lacking. Wave Money, a collaboration between Telenor Myanmar and Yoma Bank, enables customers to transfer funds, pay bills, and access basic financial services through a network of mobile agents.

Similarly, KBZPay, launched by KBZ Bank, allows users to manage their finances via a mobile app, facilitating person-to-person transactions and payments at partner merchants. These platforms are bridging the financial access gap by leveraging the increasing prevalence of mobile phones; 42% of individuals reported having access to a mobile phone, though usage varies by region. A key finding of the MAP study revealed that one-third of respondents expressed interest in using mobile phones for monetary transfers and payments, even before the comprehensive rollout of telecom services. This highlights a significant latent demand for digital financial services, particularly in underserved rural areas. Mobile platforms can lower transaction costs, enhance security, and increase convenience for users, especially those living far from bank branches. However, despite their potential, mobile financial services face several challenges, including digital literacy, limited smartphone adoption in certain remote areas, and regulatory constraints. Strategic collaboration among the government, telecom operators, fintech companies, and development partners is necessary to fully realize their potential. These initiatives should focus on expanding agent networks, improving digital literacy, ensuring consumer protection, and fostering interoperability among providers (Duflos and Luchtenburg, 2014).

The financial behavior of Myanmar's rural population largely remains informal due to socio-economic and infrastructural barriers. The rise of mobile financial services, if properly scaled and supported, could significantly reduce dependence on informal providers and enhance financial inclusion. To achieve this vision, policies and programs must be designed with a deep understanding of rural realities and a customer-centric approach, as strongly advocated by Duflos and Luchtenburg (2014).

### **3.6. Opportunities and Recent Reforms and Rural Financial Access in Myanmar**

Since 2011, Myanmar has implemented a succession of changes in its banking and financial sector, facilitating enhanced access to financial services in rural areas. The ongoing reforms signify a calculated initiative by the government to modernise the banking system, enhance financial inclusion, and draw foreign investment in a traditionally underbanked nation. Rural financial access is poised to gain from legislative reforms and the increasing participation of private, foreign, and microfinance entities in the financial ecosystem (Singh R, 2018).

The initial phase of banking reforms commenced in 2011 when the government allowed private banks to participate in foreign exchange operations and establish ATMs nationwide. This event was a pivotal moment in Myanmar's economic liberalisation, initiating a shift from a closed financial system to one progressively aligning with global standards. The Foreign Exchange Management Law was adopted in 2012, succeeded by the adoption of the Central Bank of Myanmar (CBM) Law in 2013. This legislation conferred autonomy upon the CBM as the nation's primary financial regulator, granting it the authority to license and oversee all banking activities. The introduction of international banks constituted another significant milestone. In 2014, nine multinational banks received provisional licenses to offer restricted financial services, and by 2016, four further banks entered the market. Despite limitations on their operations, banned from providing retail banking services and permitted only a single branch each, these foreign banks infused about MMK1.6 trillion (US\$1.2 billion) in regulatory capital and played a role in tripling the government's revenue. Nonetheless, obstacles persist, especially with the preferential treatment afforded to underperforming state-owned banks and the restrictions imposed on foreign banks' operations, including prohibitions on direct local currency lending and stringent capital requirements (Singh R, 2018).

The enactment of the Financial Institutions Law in January 2016 was a fundamental element of the country's modernisation. This legislation established an extensive regulatory framework for local and foreign financial institutions, elucidated the powers of the CBM, and sought to ensure equitable competition between private and state-owned banks. Structural hurdles continue to exist, particularly in rural regions where 70% of the population is unbanked and formal financial penetration is minimal. A pervasive mistrust in the banking sector, stemming from decades of mismanagement by military administrations, remains a substantial obstacle to formal financial access. A multitude of individuals remain plagued by the recollection of previous demonetisations and institutional volatility. In this context, microfinance has arisen as a significant instrument for rural financial accessibility. The formation of the Myanmar Microfinance Supervisory Enterprise (MMSE) in 2012 facilitated the licensing of domestic and international microfinance institutions (MFIs). In five years, more than 200 licenses were granted. Nonetheless, most microfinance institutions function in urban areas, resulting in a significant rural demographic being inadequately served. Over 60% of the population in Myanmar is excluded from

official financial services, resulting in a substantial disparity between supply and demand, which the United Nations Capital Development Fund estimates to be nearly US\$1 billion, approximately four times the present funding availability (Singh R, 2018).

The digital transformation of financial services offers significant potential. Despite Myanmar's banking sector's significant reliance on cash, advancements are occurring in the realm of digitisation. For instance, Infosys Limited of India, in collaboration with Myanmar's ACE Data Systems Ltd, has facilitated the digital enhancement of AGD Bank. Digital banking systems, mobile wallets, and fintech applications are progressively integrating into the financial ecosystem. These advancements are essential for rural outreach, particularly in areas with limited physical bank facilities. Myanmar's government is considering the reorganisation of state-owned banks in the medium term, including potential partnerships or partial privatisation with international investors. These reforms might significantly transform the sector and enhance financial accessibility in neglected regions. Myanmar, with a population of over 54 million and an increasing need for financial services in rural areas, presents significant opportunities for domestic expansion and foreign investment. Although Myanmar's financial sector changes are ongoing, they present substantial prospects to enhance rural financial access. The policy transition towards liberalisation, the introduction of foreign investment, the emergence of microfinance, and the digitisation of services collectively establish the foundation for inclusive financial advancement. Nevertheless, sustained political commitment, regulatory enhancements, and trust-building initiatives will be crucial to sustainably close the rural financial divide (Singh R, 2018).

### **3.7 Banking Services in Nyaungdon Township, Ayeyarwady Region, Myanmar**

Nyaungdon Township, located in the Ayeyarwady Region of Myanmar, has a total population of 215,906, with a predominantly rural demographic. Of this population, approximately 191,451 individuals reside in rural areas, while 24,455 live in urban centers. The township comprises 10 wards and 44 village tracts, encompassing a total of 51,201 households. This demographic distribution presents unique challenges and opportunities for the provision and accessibility of banking services, especially given the large rural population that may have limited access to formal financial institutions (Streets of Myanmar, 2025).

The banking infrastructure in Nyaungdon Township is supported by several major banks that provide a variety of financial services to meet the needs of both urban and rural residents. Myanmar Economic Bank (MEB) plays a significant role by offering essential banking services such as savings accounts and loan products. These services are crucial for enabling residents, particularly in rural areas, to save securely and access credit to support agricultural activities and small businesses, thereby contributing to local economic development (Streets of Myanmar, 2025).

Kanbawza Bank (KBZ Bank) also has a strong presence in the township, offering a comprehensive range of personal and business banking services. The availability of ATMs and online banking platforms through KBZ enhances convenience and financial inclusion for customers, particularly in urban wards. Such digital services help bridge the gap between traditional banking and modern financial demands, allowing users to perform transactions efficiently and securely, even from remote locations (Streets of Myanmar, 2025).

AYA Bank is recognized in Nyaungdon Township for its customer-oriented approach and a diverse portfolio of financial products, including mobile banking services. The introduction of mobile banking is especially important in this region as it addresses the challenges of geographical dispersion and limited physical bank branches. By leveraging mobile technology, AYA Bank facilitates greater financial accessibility for rural households, supporting savings, payments, and credit facilities that are essential for improving livelihoods in both urban and rural communities of Nyaungdon Township (Streets of Myanmar, 2025).

Digital banking platforms such as KBZ Pay, AYA Pay, Wave Money, and True Money are increasingly shaping the financial landscape in Nyaungdon Township. These e-wallet and mobile payment services provide convenient, secure, and accessible ways for individuals to conduct financial transactions without relying solely on physical bank branches. In particular, they enable easy money transfers, bill payments, and merchant transactions, which are vital for residents in remote or underserved areas. The growing adoption of these digital solutions is fostering greater financial inclusion by overcoming traditional barriers such as distance, limited banking infrastructure, and low financial literacy, thereby empowering both urban and rural populations to participate more fully in the formal financial system (Streets of Myanmar, 2025).

## **CHAPTER IV**

### **ANALYSIS OF BANKING SERVICES ACCESS IN RURAL AREAS**

This chapter focuses on the analysis of banking services access in rural areas, providing a detailed examination of the survey profile, design, and results. This chapter serves to bridge the theoretical insights gained from the literature review with the primary data collected from rural residents. By analyzing the responses gathered through the survey, the chapter elucidates the real-world implications of the barriers to banking access that were previously identified. It offers a comprehensive understanding of how these barriers manifest in the daily lives of individuals within rural communities, highlighting the challenges they face in accessing essential banking services. Through this analysis, the chapter aims to present a clearer picture of the current landscape of banking access in rural areas, setting the foundation for discussions on potential solutions and improvements in later chapters.

#### **4.1 Survey Profile**

This study concentrated on the challenges faced by customers in accessing banking services specifically within the rural communities of Nyaungdon, Ayeyarwady Region, Myanmar. It aimed to analyze various barriers to financial inclusion, including socio-economic, demographic, infrastructural, and digital challenges that affect access to banking services. The key factors investigated included income levels, educational attainment, awareness of digital banking, and existing infrastructural limitations. Among the 26 townships in the Ayeyarwady Region, Nyaungdon Township was purposively selected due to its relevance to the study. According to the 2014 Myanmar Census, Nyaungdon Township had a total population of 215,906, comprising an urban population of 24,455 and a rural population of 191,451. For data collection, 10 out of the 44 village tracts in Nyaungdon were randomly selected, which included Ah Lel Chaung, Chaung Gyi, Hteik Wa Gyi, Kun Thee Pin, Kyaung Su, Kyun U, Nat Pay, Pay Si Kyun, Sin Tone,

and War Taw Sun. A total of 310 rural residents were surveyed, with 31 individuals chosen from each village tract, representing one household member per household.

Nyaungdon Township was selected as the study area for this thesis due to its unique demographic and geographic characteristics that exemplify the challenges and opportunities in accessing banking services in rural Myanmar. With a total population exceeding 215,000, of which the vast majority reside in rural settings, the township provides a representative context to examine financial inclusion in predominantly agrarian communities. The significant rural population, dispersed across 44 village tracts and 10 wards, presents logistical and infrastructural challenges for banking service delivery, making it an ideal location to study access barriers. Moreover, Nyaungdon's economic reliance on agriculture and small-scale enterprises highlights the critical role that banking and credit services play in supporting livelihoods and local development. The presence of major banks alongside emerging digital financial platforms in the township further allows for a comprehensive analysis of both traditional and modern banking modalities. These factors collectively make Nyaungdon Township a pertinent and insightful area for investigating access to banking services in rural Myanmar.

## **4.2 Survey Design**

The survey design for this study was structured to effectively gather comprehensive data on the challenges rural residents face in accessing banking services. A semi-structured questionnaire was developed, incorporating both closed and open-ended questions to capture quantitative and qualitative insights. The questionnaire was designed to assess various aspects related to financial inclusion, including socio-economic and demographic characteristics, experiences with traditional and digital banking, and perceived barriers to accessing banking services. To ensure clarity and relevance, the questionnaire underwent a pilot testing phase with a small group of rural residents. Feedback from this preliminary testing was used to refine the questions and improve the overall design. The final version of the questionnaire included sections on personal demographics, educational background, income levels, familiarity with digital banking, and infrastructural challenges. Data collection was carried out through face-to-face interviews with selected respondents, allowing for deeper engagement and clarification of responses. Interviewers were trained to ensure consistency in the administration of the questionnaire and to

facilitate a comfortable environment for respondents to share their experiences. This design aimed to provide a rich dataset that could effectively highlight the barriers to banking access in rural Nyaungdon, contributing valuable insights for addressing financial inclusion in these communities.

### **4.3 Survey Results**

The findings of this survey are presented in two distinct but complementary parts: quantitative survey results and qualitative survey results. Together, they offer a comprehensive understanding of the current status and challenges of good governance within the township-level public health system in Bago Region. The quantitative survey results focus on the evaluation of ten core principles of good governance based on the perceptions of public health professionals. These principles were assessed through mean scores and standard deviations, which reflect the level of agreement or disagreement among respondents. Each principle and its associated indicators were analyzed individually, and aggregate scores were also calculated to provide an overall assessment of governance practices. The qualitative survey results provide deeper insight into the practical challenges and contextual realities faced by public health professionals in implementing governance principles at the township level. Responses from respondents in focus group discussions were systematically coded and thematically analyzed.

#### **4.3.1 Demographic Information of Respondents**

Table 4.1 presents the demographic information of the respondents (n=310) involved in the study. This table provides a comprehensive overview of various demographic characteristics, including age group, gender, marital status, education level, employment status, and household size.

Table (4.1) Demographic Information of Respondents (n=310)

Demographic Information	n	%
Age Group		
24-38 years	158	51.0
39-51 years	152	49.0
Gender		
Male	172	55.5
Female	138	44.5
Marital Status		
Single	95	30.6
Married	199	64.2
Divorced	16	5.2
Demographic Information	n	%
Education Level		
No formal education	16	5.2
Secondary school	27	8.7
Higher secondary school	87	28.1
Diploma or vocational training	11	3.5
Undergraduate	152	49.0
Postgraduate and above	17	5.5
Employment Status		
Unemployed	19	6.1
Self-employed	116	37.4
Employed (part-time)	31	10.0
Employed (full-time)	144	46.5
Household Size: (Number of People in household)		
1-2	23	7.4
3-4	176	56.8
5-6	95	30.6
7 and above	16	5.2

Source: Survey Data (2025 Mar-April)

The age distribution indicates that the majority of respondents were between 24-38 years old (51.0%), while 49.0% fell within the 39-51 years age group. In terms of gender, 55.5% of respondents were male, compared to 44.5% who were female. The marital status of respondents revealed that 64.2% were married, 30.6% were single, 5.2% were divorced, and none were widowed. Regarding educational attainment, 49.0% of respondents had completed an undergraduate degree, while 5.2% had no formal education. Employment status showed that 46.5% were employed full-time, with 37.4% self-employed and 10.0% employed part-time. Lastly, the household size data indicated that the majority of respondents lived in households with 3-4 members (56.8%), followed by those with 5-6 members (30.6%), while smaller (1-2 members) and larger households (7 and above) were less common. This demographic information is crucial for understanding the context and background of the respondents, providing insights into the diverse factors that may influence their access to banking services in rural Nyaungdon.

#### **4.3.2 Socio-economic Information of Respondents**

Table 4.2 presents the socio-economic information of the respondents (n=310) and includes several key variables. The primary source of income consists of the following categories: agriculture, daily labour, small business/trade, government job, private sector job, and remittances. The monthly household income is categorized as below 100,000, 100,000–300,000, 300,001–500,000, 500,001–1,000,000, and above 1,000,000. Access to stable electricity at home is reported as yes, no, or sometimes. The variable for possessing digital devices includes mobile phone (non-smartphone), smartphone, computer/laptop, and none. The distance between the nearest bank and home is categorized as Less than 1 km, 1–5 km, 6–10 km, and more than 10 km. Regarding Internet access at home, the options are yes and no. Lastly, the type of Internet access is divided into mobile data and home broadband.

Table (4.2) Socio-economic Information of Respondents (n=310)

Socio-economic Information	n	%
<b>Primary Source of Income</b>		
Agriculture	92	29.7
Daily labor	44	14.2
Small business / trade	5	1.6
Government job	16	5.2
Private sector job	127	44.2
Remittances	16	5.2
<b>Monthly Household Income</b>		
100,000-300,000	32	10.3
300,001-500,000	50	16.1
500,001-1,000,000	62	20.0
Above 1,000,000	166	53.5
<b>Access to stable electricity at home</b>		
Yes	91	29.4
No	129	41.6
Sometimes	90	29.0
<b>Possessing digital devices*</b>		
Mobile phone (non-smartphone)	33	10.6
Smartphone	291	93.9
Computer / laptop	57	18.4
<b>Distance between the nearest bank and home</b>		
Less than 1 km: Approximately 2–5 minutes motorcycle ride	9	2.9
1–5 km: Around 5–15 minutes motorcycle ride	65	21.0
6–10 km: About 15–25 minutes motorcycle ride	139	44.8
More than 10 km: Typically, 25 minutes or more motorcycle ride	97	31.3
<b>Socio-economic Information</b>	<b>n</b>	<b>%</b>
<b>Internet access at home</b>		
Yes	292	94.2
No	18	5.8
<b>Type of internet access (n=292)</b>		
Mobile data	214	73.2
Home broadband	78	26.7
* Multiple response questions		

Source: Survey Data (2025, Mar - April)

Of the 310 respondents, the predominant source of income was private sector work, representing 44.2% of the sample. Agriculture subsequently contributed to the livelihoods of 29.7% of participants. Daily labour constituted the primary revenue source for 14.2%, and government work and remittances each represented 5.2%. A little segment of the respondents (1.6%) depended on small business or trade operations as their principal source of income. Concerning monthly household income, over half of the respondents (53.5%) indicated earnings exceeding 1,000,000 MMK per month, signifying a comparatively elevated income level among a substantial portion of participants. Furthermore, 20.0% possessed monthly incomes ranging from 500,001 to 1,000,000 MMK, while 16.1% were within the 300,001 to 500,000 MMK bracket. A minority (10.3%) indicated incomes ranging from 100,000 to 300,000 MMK, but no respondents reported earnings below 100,000 MMK per month.

Regarding household power availability, 41.6% of respondents reported a lack of reliable access, while 29.0% had intermittent access. Merely 29.4% of participants indicated possessing reliable electricity in their residences. Concerning digital device ownership, a significant majority (93.9%) owned a smartphone, whereas 10.6% had a basic mobile phone lacking internet functionality. A minority (18.4%) possessed access to a computer or laptop, and none of the respondents indicated a complete absence of digital devices. Regarding physical closeness to banking services, 44.8% of respondents resided 6 to 10 km from the nearest bank, necessitating a motorbike journey of 15 to 25 minutes. Additionally, 31.3% resided more than 10 kilometres away, suggesting a journey duration exceeding 25 minutes. Simultaneously, 21.0% resided within 1 to 5 kilometres, while merely 2.9% lived under 1 kilometre from a bank. A significant majority (94.2%) indicated they have an internet connection at home.

### **4.3.3 Financial Behaviour and Access to Banking Services**

Table 4.3 presents the financial behavior and access to banking services among respondents (n=310) and includes several key variables. The section on having a bank account indicates responses of yes and no. For the reasons for not having an account (n=55), categories include lack of required documents, high fees, distance to the bank, limited banking awareness, and lack of trust in banking institutions. Despite not having a bank account, the responses regarding using alternative financial services

(n=55) are categorized as yes or no. The frequency of visiting a bank (n=303) includes options such as once a month, every few months, and rarely (once a year or less). The travel mode to the bank (n=303) encompasses walk, bicycle, public transport, and personal vehicle. Challenges in accessing banking services (n=303) are outlined, including high travel costs, poor transport infrastructure, limited banking hours, long waiting times at the bank, lack of digital skills for online banking, language barriers, safety concerns when travelling, and limited capacity to use online banking services. The currently used financial services (n=303) include savings accounts, loan services, mobile money services, money transfers/remittances, insurance, and none. The preferred method for financial transactions (n=303) lists cash only, bank transactions, mobile banking/digital payments, and informal financial services (e.g., moneylenders, pawnshops). Difficulties in withdrawing or depositing money at a bank (n=303) are categorized as yes or no. Lastly, responses regarding receiving financial education or training on banking services (n=310) are presented as yes or no.

Table (4.3) Financial Behaviour and Access to Banking Service among Respondents (n=310)

Financial Behaviour and Access to Banking Services	n	%
Having a bank account		
Yes	255	82.3
No	55	17.7
Reasons for not having an account* (n=55)		
Lack of required documents	16	29.1
Limited banking awareness	39	70.9
Lack of trust in banking institutions	14	25.5
Despite not having a bank account, using alternative financial services (n=55)		
Yes	48	87.3
No	7	12.7
Frequency of visiting a bank (n=303)		
Once a month	60	19.8
Every few months	215	71.0
Rarely (once a year or less)	28	9.2

Table (4.3) Financial Behaviour and Access to Banking Service among Respondents (n=310) (Continued)

Travel mode to the bank (n=303)		
Walk	39	12.9
Bicycle	51	16.8
Public transport	87	28.7
Personal vehicle	126	41.6
Challenges in accessing banking services* (n=303)		
High travel costs	20	6.6
Poor transport infrastructure	85	28.1
Limited banking hours	137	45.2
Long waiting times at the bank	211	69.6
Lack of digital skills for online banking	153	50.5
Language barriers	23	7.6
Safety concerns when travelling	27	8.9
Limited capacity to use Online banking service	6	2.0
Currently used financial services* (n=303)		
Savings account	238	78.5
Loan services	43	14.2
Mobile money services	96	31.7
Money transfers/remittances	123	40.6
None	6	2.0
Preferred method for financial transactions* (n=303)		
Cash only	127	41.9
Bank transactions	198	65.3
Mobile banking/digital payments	153	50.5
Informal financial services (e.g., moneylenders, pawnshops)	14	4.6
Difficulties in withdrawing or depositing money at a bank (n=303)		
Yes	201	66.3
No	102	33.7
Receiving financial education or training on banking services (n=310)		
Yes	83	26.8
No	227	73.2
* Multiple response questions		

Source: Survey Data (2025, Mar – April)

Of the 310 respondents, a significant majority (82.3%) reported having a bank account, while 17.7% did not. Among the 55 individuals without a bank account, the main barrier identified was a lack of banking awareness (70.9%), followed by missing required documentation (29.1%) and a lack of trust in banking institutions (25.5%). Notably, no respondents cited high fees or distance to the bank as reasons for not having an account. A considerable majority (87.3%) of these unbanked individuals indicated their use of alternative financial services despite lacking traditional bank accounts. Regarding the frequency of bank visits, most respondents (71.0%) visited the bank every few months, 19.8% visited monthly, and 9.2% visited infrequently, such as once a year or less. The primary method of travel to access banking services was personal vehicles (41.6%), followed by public transit (28.7%), bicycles (16.8%), and walking (12.9%).

Participants encountered various obstacles in accessing financial services. The main issue reported was long waiting times at banks (69.6%), followed by insufficient digital skills for online banking (50.5%), limited banking hours (45.2%), and poor transport infrastructure (28.1%). Additional concerns included safety fears during travel (8.89%), language barriers (7.76%), high travel costs (6.66%), and limited access to internet banking services (2.20%). The most commonly used financial service was savings accounts (78.5%), followed by money transfers or remittances (40.61%), mobile money services (31.71%), and lending services (14.23%). A small percentage (2.22%) reported that they did not use any financial services, and none engaged in insurance services. In response to questions about their preferred financial transaction methods, 65.3% preferred bank transactions, 50.5% opted for mobile banking or digital payments, 41.9% exclusively used cash, and 4.6% reported using informal financial services, such as money lenders or pawnshops. Furthermore, 66.3% of participants faced challenges in withdrawing or depositing funds at banks, and only 26.8% had received any financial education or training related to banking services, while the remaining 73.2% had not.

#### **4.3.4 Perceptions toward Banking Services**

Table 4.4 presents perceptions of respondents regarding banking services, with each variable evaluated on a five-point Likert scale. The scale ranges from 1 (strongly disagree) to 5 (strongly agree), allowing respondents to express varying degrees of agreement with each statement.

Table (4.4) Perceptions of Respondents towards Banking Services (n= 310)

Variables	Mean Score	SD
<b>Accessibility and Availability</b>		
I believe that banking services are easily accessible in my community.	2.6	1.1
I feel that local banks understand the financial needs of rural residents.	2.8	1.3
The availability of banking services in my community has improved in recent years.	2.5	1.1
I prefer using traditional banking services over online banking.	2.9	0.8
I believe that online banking services are user-friendly for rural residents.	3.1	0.8
I think that mobile banking apps are beneficial for managing my finances.	3.6	0.9
<b>Trust and Security</b>		
I trust the local bank to keep my financial information secure.	4.1	0.4
I feel comfortable approaching the bank with questions or concerns about my bank account.	3.1	0.7
The fees associated with banking services in my area are reasonable.	4.2	0.3
I think that having a local bank is important for the economic development of rural areas.	4.3	0.2
<b>Service Quality and Customer Satisfaction</b>		
I believe that banks provide adequate financial education resources for rural individuals.	3.3	0.8
I believe that the customer service provided by the bank is satisfactory.	4.1	0.4
I feel that banks in my area are responsive to the community's needs.	2.8	1.1
I feel confident in the financial products the bank offers (e.g., loans, savings accounts).	4.2	0.3
I would recommend the bank to others in my community for their banking needs.	3.1	1.2
Average Score	3.4	0.7

Source: Survey Data (2025, Mar - April)

Regarding accessibility and availability, respondents perceive banking services as somewhat inaccessible in their community, with a mean score of 2.6 (SD=1.1). They feel that local banks have limited understanding of the financial needs of rural residents, scoring 2.8 (SD=1.3). Additionally, the availability of banking services has not significantly improved recently, with a low score of 2.5 (SD=1.1). Preference for traditional banking over online services is neutral to slightly negative, scoring 2.9 (SD=0.8). However, online banking services are seen as moderately user-friendly for rural residents, with a score of 3.1 (SD=0.8), and mobile banking apps are perceived positively for managing finances, scoring 3.6 (SD=0.9).

Regarding trust and security, respondents express strong trust in local banks' ability to keep financial information secure, with a high mean score of 4.1 (SD=0.4). Comfort in approaching banks with questions or concerns is moderate, scoring 3.1 (SD=0.7). Fees associated with banking services are viewed as reasonable, with a high score of 4.2 (SD=0.3). The importance of local banks for the economic development of rural areas is highly recognized, scoring 4.3 (SD=0.2).

Regarding service quality and customer satisfaction, financial education resources are considered adequate but not outstanding, with a mean score of 3.3 (SD=0.4). Customer service quality receives strong positive perception, scoring 4.1 (SD=0.4). However, banks' responsiveness to community needs is perceived as low, with a score of 2.8 (SD=1.1). Confidence in the financial products offered by banks, such as loans and savings accounts, is high, scoring 4.2 (SD=0.3). The willingness to recommend the bank to others is moderate, with a mean score of 3.1 (SD=1.2).

Overall, the average perception score is 3.4 (SD=0.7), indicating a generally positive attitude toward banking services. While trust, fees, customer service, and product confidence are strong, concerns remain about accessibility, banks' understanding of rural needs, and responsiveness to the community. These insights suggest areas where banks could improve to better serve rural customers and enhance overall satisfaction.

#### **4.3.5 Perceived Requirements for Banking Services Improvement**

Table 4.5 presents the perceived requirements for banking services improvement among respondents (n=310). The table highlights various issues identified by participants that could significantly enhance their access to banking services.

Table (4.5) Perceived Requirements for Banking Services Improvement among Respondents (n=310)

Variables	n	%
Issues that would help most in accessing banking services*		
Improved transport options	108	34.8
More branches closer to rural areas	209	87.4
Lower fees and service charges	85	27.4
Financial education and awareness programs	143	46.1
Mobile banking options	193	62.3
Government support and incentives	51	16.5
Building trust in banks	202	65.2
Easy understanding of banking procedures	158	51.0
Focus on privacy and security concerns	213	68.7
A safe place to save money	237	76.5
Easier access to loans and credit	151	48.7
Secure and convenient money transfers	185	59.7
*Multiple Response		

Source: Survey Data (2025, Mar - April)

A substantial 87.4% of respondents indicated that having more branches closer to rural areas would be the most beneficial improvement, reflecting a strong demand for increased physical banking presence in these communities. Additionally, 76.5% of participants emphasized the need for a safe place to save money, indicating a desire for secure savings options. Furthermore, 68.7% of respondents expressed the importance of focusing on privacy and security concerns to foster trust in banking systems. Building trust in banks was also a priority for 65.2% of participants, suggesting that confidence in financial institutions is crucial for encouraging greater engagement with banking services. Mobile banking options were perceived as a valuable improvement by 62.3% of respondents, highlighting the increasing reliance on digital solutions for financial management. Additionally, 59.7% of participants indicated the need for secure and convenient money transfers, which would facilitate easier financial transactions. Financial education and awareness programs were deemed necessary by 46.1% of respondents, reflecting a recognition of the importance of knowledge in navigating banking services. Moreover, 48.7% of participants called

for easier access to loans and credit, indicating a desire for more flexible financial products tailored to their needs. Improved money transfer options were identified by 34.8% of respondents as a factor that could help access banking services, while 27.4% pointed to the need for lower fees and service charges. Overall, these insights underscore the key areas where improvements are seen as essential for enhancing banking access among rural residents.

#### 4.3.6 Challenges in Infrastructure and Banking Facilities among Rural Communities

Table 4.6 presents the challenges in infrastructure and banking facilities faced by rural communities, based on responses from 310 participants. The data reveals several critical issues that hinder access to banking services in these areas.

Table (4.6) Challenges in Infrastructure and Banking Facilities among Rural Communities (n = 310)

Variables	n	%
Limited Access to Banking Branches	151	48.7
Inadequate Transportation Infrastructure	108	34.8
Insufficient Internet Connectivity	111	35.8
Lack of Mobile Banking Infrastructure	99	31.9
Infrequent Banking Hours	126	40.6
Inadequate Security Measures at Banking Facilities	85	27.4
Poor Signage and Navigation	89	28.7
Insufficient Financial Literacy Programs	143	46.1
Limited Range of Banking Products	151	48.7
Challenges in Emergency Banking Services	166	53.5
Ineffective Communication Channels	101	32.6
Cultural Barriers to Banking Services	79	25.5
Limited Government Support for Rural Banking Infrastructure	168	54.2
Impact of Informal Financial Systems	159	51.3

Source: Survey Data (2025, Mar - April)

A significant 54.2% of respondents indicated that limited government support for rural banking infrastructure is a pressing challenge. This lack of support impedes

the development and maintenance of essential banking facilities within rural communities. Additionally, 53.5% of participants reported challenges in emergency banking services, highlighting the need for reliable banking access during critical situations. The issue of limited access to banking branches was echoed by 48.7% of respondents, indicating that the geographical distribution of banking facilities is inadequate for the rural population. Similarly, the limited range of banking products, also reported by 48.7% of participants, suggests that banks may not be meeting the diverse financial needs of rural residents.

Inadequate transportation infrastructure was identified as a challenge by 34.8% of respondents, which affects their ability to reach banking facilities. Moreover, 35.8% noted insufficient internet connectivity, which is crucial for accessing digital banking services. The lack of mobile banking infrastructure was reported by 31.9% of participants, further limiting their banking options. Infrequent banking hours, mentioned by 40.6% of respondents, contribute to difficulties in accessing services when needed. Additionally, 27.4% of participants expressed concerns about inadequate security measures at banking facilities, while poor signage and navigation were identified by 28.7%, complicating the process of locating banking services. Furthermore, 46.1% of respondents highlighted the need for improved financial literacy programs to educate rural residents about available banking services. Ineffective communication channels were noted by 32.6% of participants, indicating a gap in information dissemination between banks and rural communities. Cultural barriers to banking services, reported by 25.5%, may also hinder the acceptance and use of formal banking options. Overall, these challenges underscore the multi-faceted issues related to infrastructure and banking facilities in rural communities, indicating a pressing need for targeted improvements to enhance financial inclusion.

#### **4.3.7 Digital Literacy and Use of Digital Banking**

Table 4.7 presents insights into digital literacy and the use of digital banking among respondents (n=310). The data reveals a high level of awareness regarding digital banking options, with 83.2% of participants indicating that they are aware of services such as mobile banking apps and online banking. However, despite this awareness, the actual usage of digital banking services varies significantly among respondents.

Table (4.7) Digital Literacy and Use of Digital Banking among Respondents (n=310)

Digital Literacy and Use of Digital Banking	n	%
Awareness of digital banking options (e.g., mobile banking apps, online banking)		
Yes	258	83.2
No	52	16.8
Using digital banking services		
Yes, regularly	197	63.5
Yes, but rarely	93	30.0
No, I do not use digital banking	20	6.5
Main reasons for respondents not using digital banking* (n=20)		
Lack of smartphone or internet access	20	100.0
No knowledge of how to use digital banking	20	100.0
Difficulty in using apps	6	30.0
Concern about fraud or scams	6	30.0
Preference for cash transactions	20	100.0
Lack of trust in digital financial systems	14	70.0
Reported issues for more comfortable using digital banking services (n=290)		
Digital literacy training or guidance	195	67.2
Lower fees for mobile/internet services	87	30.3
Simplified banking apps or interfaces	205	70.7
Assurances on security and privacy	140	48.3

Source: Survey Data (2025, Mar - April)

A substantial 63.5% reported using digital banking services regularly, while 30.0% stated they use these services but rarely. Only 6.5% of respondents indicated that they do not use digital banking at all. Among those who do not use digital banking, the main reasons cited (n=20) included a lack of smartphone or internet access (100.0%), no knowledge of how to use digital banking (100.0%), and a preference for cash transactions (100.0%). Additionally, 30.0% of these respondents mentioned difficulty in using apps, and 30.0% expressed concern about fraud or scams, while 70.0% indicated a lack of trust in digital financial systems. To facilitate more comfortable usage of digital banking services, 67.2% of respondents identified the need for digital literacy training or guidance. Furthermore, 70.7% suggested that

simplified banking apps or interfaces would enhance usability. Assurances on security and privacy were also important, with 48.3% of respondents acknowledging this need, while 30.3% emphasized the importance of lower fees for mobile and internet services. Overall, these findings highlight a strong awareness of digital banking options alongside varying levels of adoption, underscoring the necessity for targeted initiatives to improve digital literacy and address concerns regarding the use of digital banking in rural communities.

#### 4.3.8 Perceived Awareness and Availability of Digital Banking Services

Table 4.8 presents the findings on the awareness and availability of digital banking services among respondents (n=310). The data is analyzed using a five-point Likert scale where scores above 3 indicate good perception, and scores of 3 or below indicates poor perception.

Table (4.8) Perceived Awareness of Digital Banking Services (n= 310)

Variables	Mean Score	SD
<b>Awareness of Digital Banking Services</b>		
I am aware of the various digital banking options available in my area.	2.3	0.6
I know how to use mobile banking applications effectively.	3.1	1.8
I am familiar with online banking services provided by local banks.	2.9	1.6
I have received information about digital banking services from the bank.	3.0	1.4
I understand the benefits of using digital banking services compared to traditional banking.	3.6	0.8
I have seen advertisements promoting digital banking services in my community.	3.2	0.6
I have discussed digital banking options with friends or family.	3.1	0.8
I believe that digital banking services can improve my financial management.	3.1	1.2
I feel confident in my ability to navigate digital banking platforms.	2.8	1.4
I am aware of the security measures in place for digital banking services.	2.6	1.4
I know how to access customer support for digital banking services.	2.7	1.3
I have attended any workshops or training sessions on digital banking.	2.1	0.3
I have read articles or materials about digital banking services.	2.3	0.5
I believe that digital banking is a reliable alternative to traditional banking.	3.8	1.2
I am aware of the costs associated with using digital banking services.	3.1	1.3
<b>Average Score</b>	<b>2.9</b>	<b>1.1</b>

Source: Survey Data (2025, Mar - April)

First, respondents showed low awareness of the various digital banking options available in their area, with a mean score of 2.3 and a standard deviation (SD) of 0.6, indicating limited knowledge about the specific digital services offered locally. They reported moderate knowledge of how to use mobile banking applications effectively, with a mean of 3.1 and a high SD of 1.8, reflecting some variability in familiarity and competence among users. Familiarity with online banking services provided by local banks was somewhat low, scoring 2.9 (SD=1.6), showing that many respondents are not fully acquainted with these services.

Regarding information dissemination, respondents had a borderline perception of having received information about digital banking services from their banks, with a mean score of 3.0 (SD=1.4), suggesting that communication efforts might be inconsistent or insufficient. When asked about understanding the benefits of using digital banking compared to traditional banking, respondents showed a good perception with a mean score of 3.6 (SD=0.8), indicating that many recognize the advantages of digital banking. Similarly, respondents reported seeing advertisements promoting digital banking services in their community with a mean score of 3.2 (SD=0.6), suggesting moderate exposure to promotional efforts.

Social interaction about digital banking was reflected by a mean score of 3.1 (SD=0.8) for discussing digital banking options with friends or family, indicating that conversations about digital banking do occur but may not be widespread. Beliefs that digital banking services can improve financial management also scored 3.1 (SD=1.2), demonstrating a positive perception regarding its practical benefits. However, confidence in navigating digital banking platforms was somewhat low, with a mean score of 2.8 (SD=1.4), showing that many respondents do not feel fully capable of using these platforms effectively.

Awareness of security measures in place for digital banking services was relatively poor, with a mean of 2.6 (SD=1.4), highlighting concerns or lack of knowledge about how securely their financial data is handled. Similarly, knowing how to access customer support for digital banking services scored 2.7 (SD=1.3), suggesting that many respondents are unsure about where or how to get help when needed. Participation in workshops or training sessions on digital banking was very low, with a mean score of 2.1 (SD=0.3), indicating minimal engagement in formal learning opportunities.

Reading articles or materials about digital banking services also had a low mean score of 2.3 (SD=0.5), reflecting limited self-directed learning or exposure to educational content. On a more positive note, the belief that digital banking is a reliable alternative to traditional banking received the highest mean score of 3.8 (SD=1.2), showing strong confidence in the dependability of digital banking options. Lastly, awareness of the costs associated with using digital banking services was moderate, with a mean score of 3.1 (SD=1.3), indicating some understanding but potential gaps in knowledge about fees or charges.

Overall, the average perceived awareness score was 2.9 (SD=1.1), which falls just below the threshold for good perception, suggesting that while respondents recognize certain benefits and reliability of digital banking, there remain significant gaps in knowledge, confidence, and engagement with these services. This comprehensive picture highlights areas where banks and related institutions could focus efforts to improve education, communication, and user support to enhance digital banking awareness and usage.

The table (4.9) presents the perceived availability of digital banking services among 310 respondents, measured on a five-point Likert scale where scores above 3 indicate good perception and scores of 3 or below indicate poor perception. The table includes 15 specific statements related to the accessibility and availability of digital banking services, each with its mean score and standard deviation (SD).

Table (4.9) Perceived Availability of Digital Banking Services (n = 310)

Variables	Mean Score	SD
<b>Availability of Digital Banking Services</b>		
Digital banking services are easily accessible in my community.	3.1	0.6
I can find mobile banking applications provided by the bank without difficulty.	2.4	1.6
I have access to a stable internet connection to use digital banking services.	2.8	0.9
The mobile banking app of the bank is user-friendly.	3.1	1.1
I have sufficient access to digital banking services during weekends and holidays.	3.4	0.3

Table (4.9) Perceived Availability of Digital Banking Services (n = 310) (Continued)

My bank provides adequate technical support for digital banking services.	2.9	1.3
I can find information about digital banking services on the bank's website.	2.7	1.8
I have access to digital banking services through multiple devices (e.g., smartphone, tablet, computer).	3.1	1.2
Digital banking services are promoted effectively by the bank.	3.6	0.6
I can easily download the mobile banking application from the bank.	3.1	0.9
I have the option to set up online banking quickly and efficiently.	3.3	0.8
The bank provides sufficient information about how to use digital banking services.	2.4	1.4
There are no significant barriers to accessing digital banking services in my area.	2.9	1.3
I can perform all necessary banking transactions through digital banking services.	3.1	0.8
I feel that the bank is committed to improving access to digital banking services.	2.9	0.8
<b>Average Score</b>	<b>3.0</b>	<b>1.03</b>

Source: Survey Data (2025, Mar - April)

Respondents generally perceive digital banking services as easily accessible in their community, with a mean score of 3.1 (SD=0.6), indicating a favorable view of overall accessibility. However, finding mobile banking applications provided by the bank is perceived as difficult, with a low mean score of 2.4 (SD=1.6), showing that many experience challenges locating these apps. Access to a stable internet connection, essential for digital banking, was rated somewhat low at 2.8 (SD=0.9), suggesting connectivity issues for some users.

The mobile banking app's user-friendliness received a good perception with a mean of 3.1 (SD=1.1), reflecting moderate satisfaction with the app design. Access to digital banking services during weekends and holidays was rated positively at 3.4 (SD=0.3), indicating that users generally feel these services are available outside regular banking hours. Adequate technical support from banks for digital services was

perceived as insufficient, scoring 2.9 (SD=1.3), revealing potential gaps in customer assistance.

Finding information about digital banking services on the bank's website received a low score of 2.7 (SD=1.8), suggesting that online information resources may be inadequate or hard to find. Access to digital banking through multiple devices such as smartphones, tablets, and computers was rated positively with a mean of 3.1 (SD=1.2), showing good multi-device availability. The promotion of digital banking services by banks was viewed very favorably, scoring 3.6 (SD=0.6), indicating effective marketing efforts.

Downloading the mobile banking application was considered easy, with a mean score of 3.1 (SD=0.9), supporting a positive user experience in this regard. Setting up online banking quickly and efficiently also received a good perception, scoring 3.3 (SD=0.8). However, the provision of sufficient information on how to use digital banking services was rated poorly at 2.4 (SD=1.4), reflecting a need for better user guidance and education.

Respondents reported some barriers to accessing digital banking services in their area, with a mean score of 2.9 (SD=1.3), indicating these obstacles are significant enough to affect availability perceptions. The ability to perform all necessary banking transactions via digital services was rated positively at 3.1 (SD=0.8), showing that most users feel these services meet their transactional needs. Lastly, the perception of the bank's commitment to improving access to digital banking services was relatively low at 2.9 (SD=0.8), suggesting doubts about ongoing improvements.

Overall, the average perceived availability score was exactly 3.0 (SD=1.03), indicating a borderline good perception of digital banking availability. While users generally find digital banking services accessible, user-friendly, and well-promoted, there remain notable concerns regarding app discoverability, information availability, technical support, and internet connectivity. These findings highlight areas where banks could improve to enhance the availability and user experience of digital banking services.

#### 4.3.9 Challenges in accessing or using digital banking services

Table 4.9 presents the challenges faced by respondents in accessing digital banking services (n=304). The data highlights several significant barriers that hinder the effective use of digital banking in their daily financial activities.

Table (4.10) Challenges in Access to Digital Banking among Respondents (n=304)

Variables	n	%
Unreliable internet connectivity	194	83.8
App or website issues (e.g., crashes, loading)	158	52.0
Limited language options	94	30.9
High costs for internet data	66	21.7
Lack of support or guidance for usage	152	50.0
*Multiple response questions		

Source: Survey Data (2025, Mar - April)

A substantial 83.8% of participants reported experiencing unreliable internet connectivity, indicating that this is a primary challenge for accessing digital banking services. This lack of stable internet access can severely limit users' ability to perform transactions and manage their finances online effectively. Additionally, 52.0% of respondents encountered issues with apps or websites, such as crashes and slow loading times, which can frustrate users and discourage them from utilizing digital banking options. A lack of support or guidance for using digital banking services was noted by 50.0% of participants, highlighting the need for more educational resources and assistance in navigating these platforms. Limited language options were identified as a challenge by 30.9% of respondents, suggesting that language barriers may prevent some users from fully understanding and utilizing digital banking services. Furthermore, 21.7% of participants cited high costs for internet data as a barrier, which can deter individuals from engaging with digital banking, especially in rural areas where resources may be limited. Overall, these findings underscore the multifaceted challenges that respondents face in accessing and using digital banking services, indicating a need for targeted interventions to improve connectivity, user experience, and support for users in rural communities.

#### 4.3.10 Perceived Benefits of Digital Banking

Table 4.11 presents the perceived benefits of digital banking among respondents (n=304). The data reveals a strong recognition of the advantages associated with using digital banking services, indicating a positive outlook among users.

Table (4.11) Perceived Benefits of Digital Banking among Respondents (n=304)

Variables	n	%
Perceived benefits of using digital banking services*		
Convenience of remote access	216	71.1
Faster transaction processing	261	85.9
Reduced travel costs to visit a branch	217	71.4
Ability to manage finances anytime	198	65.1
Security in making transactions	133	43.8
*Multiple Responses		

Source: Survey Data (2025, Mar - April)

A significant 85.9% of respondents identified faster transaction processing as a key benefit of digital banking, highlighting the efficiency that these services can offer. This perception aligns with the growing demand for quick and seamless banking experiences in today's fast-paced environment. Convenience of remote access was also noted as a major advantage, with 71.1% of participants acknowledging that digital banking allows them to access their accounts and manage transactions from anywhere. Similarly, 71.4% of respondents indicated that digital banking reduces travel costs associated with visiting a physical branch, further emphasizing the economic benefits of these services. The ability to manage finances anytime was recognized by 65.1% of respondents, reflecting the flexibility that digital banking provides in helping individuals stay on top of their financial activities without the constraints of traditional banking hours. However, the perceived security in making transactions received a lower endorsement, with only 43.8% of participants expressing confidence in the security measures associated with digital banking. This highlights an area for improvement, as building trust in the security of digital transactions is crucial for encouraging wider adoption of these services. Overall, the findings illustrate that while there are numerous perceived benefits of digital banking,

particularly in terms of convenience and efficiency, addressing security concerns remains essential for enhancing user confidence and satisfaction.

#### **4.3.11 Summary**

This study aimed to identify the main barriers rural residents of Nyaungdone Township face when accessing formal banking services and to evaluate how digital banking contributes to financial inclusion in the area. Out of 310 respondents, 82.3% reported having a bank account, while 17.7% did not. Among those without accounts, the primary reasons were a lack of awareness about banking services (70.9%) and missing required documents (29.1%). Common challenges faced by all participants included long waiting times at banks (experienced by 69.6%) and limited digital skills needed for online banking. When asked about their perception of banking accessibility, respondents gave a low average score of 2.6 out of 5, indicating they generally found banking services difficult to access. Similarly, the understanding of local banks regarding rural financial needs received a low score of 2.8. However, participants viewed banking fees and trust in data security positively, with mean scores of 4.2 and 4.1, respectively. Regarding digital banking, 63.5% regularly used services such as mobile payments, but awareness of available digital options was low, with an average score of 2.9. Many faced issues like unreliable internet connectivity (reported by 83.8%) and difficulties using banking apps, even though the user-friendliness of these apps was rated moderately well (mean score of 3.1). Most respondents expressed a strong desire for more bank branches closer to rural communities (87.4%) and emphasized the importance of financial education and digital literacy programs to help them better use banking services. In conclusion, while many rural residents have access to formal banking, significant barriers remain, particularly in service accessibility and digital skills. Digital banking presents a promising solution to improve inclusion but requires better infrastructure and targeted educational efforts to be fully effective.

## **CHAPTER V**

### **CONCLUSION**

In this chapter, the key findings were synthesized from the survey results, drawing together insights from various aspects of banking services in rural communities. The analysis encompasses socio-economic factors, financial behavior, perceptions of banking services, and the challenges related to digital banking. By examining the barriers to accessing financial services, the perceived benefits of digital banking, and the requirements for improvement, this chapter aims to provide a comprehensive understanding of the current banking landscape in rural areas. The conclusions drawn will highlight the need for targeted interventions and strategic solutions to enhance financial inclusion, ultimately supporting the economic well-being of rural residents. Through these insights, we can better address the unique challenges faced by these communities and foster a more inclusive banking environment.

#### **5.1. Findings**

Based on the study objectives, the key findings provide valuable insights into the main factors and barriers rural customers face in accessing formal banking services, as well as the availability and effectiveness of digital banking solutions in Nyaungdone Township.

Firstly, socio-economic data from 310 respondents indicate that private sector work and agriculture are the predominant income sources, with many participants reporting monthly incomes above 1,000,000 MMK. However, infrastructural challenges remain significant: respondents reported limited access to reliable electricity, with a mean score indicating moderate difficulty (mean score approximately 3.8 out of 5). Additionally, the average distance to banking facilities was perceived as a considerable barrier (mean score around 3.5), despite widespread smartphone ownership (mean familiarity score 4.2) and high levels of internet

connectivity at home (mean score 4.3). Limited access to computers (mean score approximately 2.1) further constrains digital engagement. These findings highlight the need for improvements in physical infrastructure and banking accessibility to support financial inclusion in rural areas.

Regarding access to formal banking services, the majority of respondents possessed bank accounts, yet a notable portion remained unbanked. Those without accounts identified lack of banking awareness as the most significant barrier, reflected by a low mean score of 2.1 (SD 0.9) on awareness measures. Missing required documentation and distrust in banking institutions also contributed, with mean scores of 2.5 and 2.3, respectively. Notably, high fees and distance to banks were rated less problematic (mean scores above 4.0). Many unbanked individuals reported usage of alternative financial services, indicating partial engagement with the financial system. Frequent bank visits were reported at intervals of several months (mean frequency score 3.7), primarily accessed via personal vehicles (mean preference score 4.0). Key obstacles included long waiting times (mean difficulty score 3.9), insufficient digital skills (mean score 2.4), and limited banking hours (mean score 2.7). Savings accounts were the most commonly used service (mean utilization score 4.1), and preferences for transaction methods favored traditional bank visits (mean preference score 3.9) and mobile banking (mean score 3.6). However, only a minority received financial education (mean exposure score 2.2), indicating a critical need for awareness and education initiatives to reduce barriers.

In terms of perceptions toward banking services, respondents expressed accessibility concerns, with a mean score of 2.6 (SD 1.1) indicating limited ease of access. They also felt local banks inadequately understood rural financial needs, reflected in a mean score of 2.8 (SD 1.0). Conversely, fees (mean score 4.2, SD 0.8) and trust in data security (mean score 4.1, SD 0.9) were viewed positively. Confidence in the user-friendliness of online banking was moderate (mean 3.1, SD 1.0), whereas perceptions of recent improvements in banking availability were low (mean 2.5, SD 1.0). Comfort in approaching banks with inquiries (mean 3.1, SD 0.9), adequacy of financial education resources (mean 3.3, SD 1.0), and customer service satisfaction (mean 4.1, SD 0.7) were generally favorable. While traditional banking methods were preferred (mean preference score 2.9, SD 1.1), mobile banking applications were positively evaluated for financial management (mean 3.6, SD 0.9).

These mixed but generally moderate perceptions highlight areas where banking services can improve to better meet rural residents' needs.

Finally, the study identified critical requirements to enhance banking services. Respondents indicated a strong need for more bank branches near rural communities (mean importance score 4.4, SD 0.6), secure savings options (mean 4.0, SD 0.7), and heightened focus on privacy and security (mean 3.8, SD 0.8). Building trust in banks was emphasized (mean 3.7, SD 0.9), along with expanding mobile banking options (mean 3.6, SD 0.9). Secure and convenient money transfers were also prioritized (mean 3.5, SD 0.8). Many respondents stressed the importance of financial education programs (mean 3.3, SD 1.0) and easier access to loans (mean 3.4, SD 0.9). Challenges related to infrastructure, such as limited government support, inadequate branch access, poor transportation, and unstable internet connectivity (mean difficulty 3.9, SD 0.9) were significant barriers. Although digital banking usage was growing (mean usage score 3.8, SD 0.7), lack of smartphones, low digital literacy (mean digital literacy score 2.4, SD 1.0), concerns about security, and app usability issues hindered broader adoption. The need for digital literacy training (mean 3.7, SD 0.8), simplified app interfaces (mean 3.9, SD 0.7), and assurances on security and privacy (mean 3.6, SD 0.9) were strongly highlighted. Overall, these results emphasize that digital banking has strong potential to improve financial inclusion in rural Nyaungdone, provided there are concerted efforts to improve infrastructure, education, and trust in digital financial services.

## **5.2 Suggestions**

The study's findings highlight several key areas for improvement in banking services for rural communities, particularly in terms of access, awareness, and digital banking. To address the barriers identified, a multifaceted approach is necessary.

First, enhancing banking infrastructure is crucial. Increasing the number of bank branches in rural areas will improve accessibility and convenience for residents. This can be achieved through partnerships between the government and financial institutions to invest in the development of banking facilities in underserved regions.

Second, implementing comprehensive financial education programs is essential. These programs should focus on raising awareness about available banking services, digital banking options, and financial management skills. Workshops and

community outreach initiatives can help build trust in banking institutions and empower residents to take advantage of financial services.

Third, improving digital literacy is vital for effective use of digital banking. Training sessions that guide navigating digital platforms can help users feel more confident in utilizing these services. Additionally, simplifying mobile banking applications and improving user interfaces can enhance the overall user experience.

Fourth, addressing internet connectivity issues is critical. Collaborating with telecommunications companies to expand internet access in rural areas will facilitate better use of digital banking services. This could involve subsidies or incentives for expanding broadband infrastructure.

Finally, banks should focus on enhancing security measures and communicating these effectively to customers. Building trust in the safety of digital transactions is essential for encouraging wider adoption of digital banking. Regular updates and transparent communication regarding security protocols can help alleviate concerns and foster confidence among users. Overall, these suggestions aim to create a more inclusive banking environment that meets the diverse needs of rural residents, ultimately enhancing financial access and participation in the economy.

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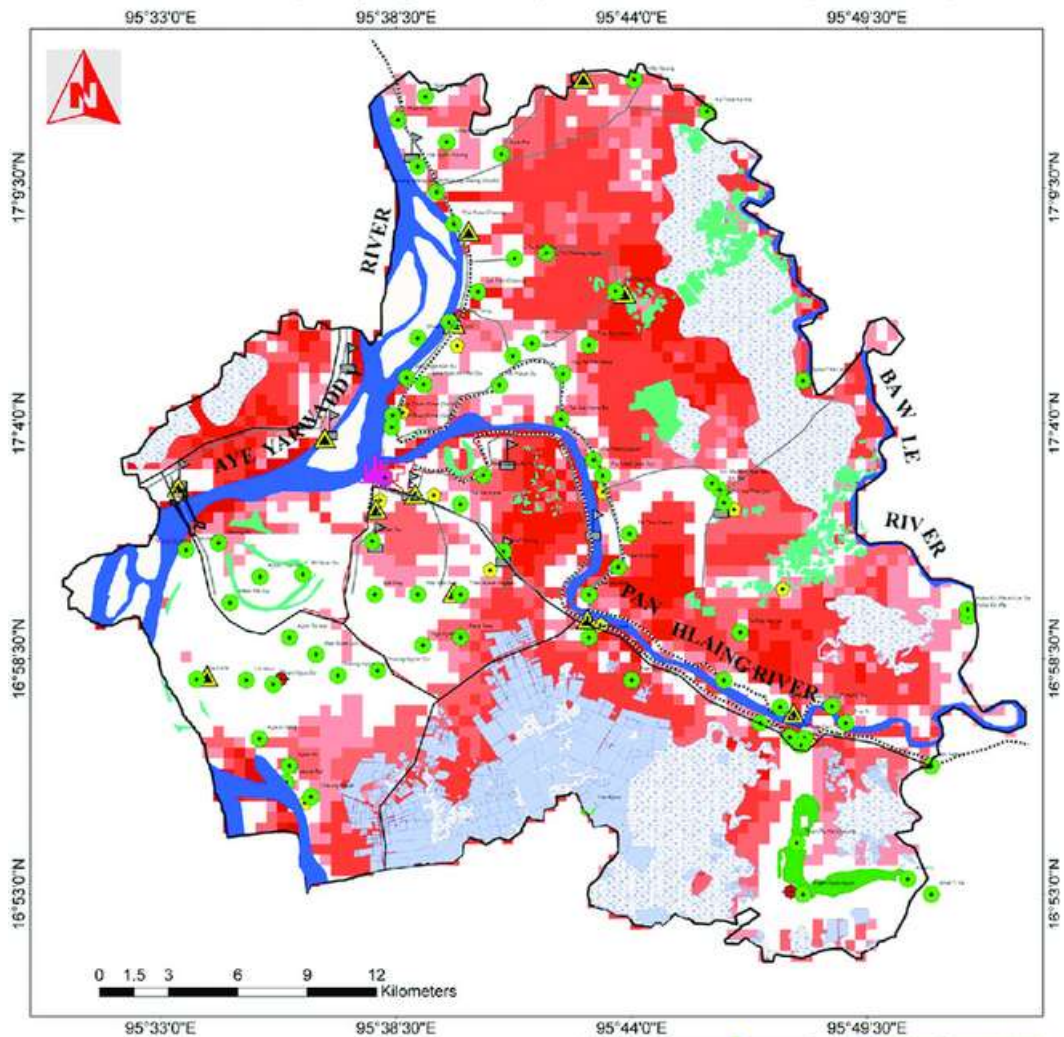
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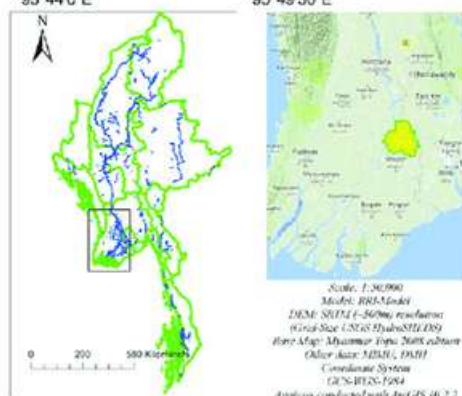
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# APPENDIX-1

## Map of Nyaungdon Township



- Legend**
- |                   |           |                        |
|-------------------|-----------|------------------------|
| <b>Road</b>       | School    | <b>Flood Risk Area</b> |
| Road              | Monastery | Very low risk          |
| Major Road        | Pagoda    | Low risk               |
| Township Boundary | Mosque    | Medium risk            |
| Fish_pond         | Hospital  | High risk              |
| River             | Benchmark | Very high risk         |
| Village           | City      | Extremely high risk    |
| Embankment        | Ponds     |                        |
| Bridge            |           |                        |
| Forest            |           |                        |
| Swamp             |           |                        |



## APPENDIX-2

### Population of Nyaungdon Township

Sr	Ward/Village Tract	No. of Conventional households	Population		
			Total	Males	Females
	<b>Total</b>	<b>51,201</b>	<b>215,906</b>	<b>105,713</b>	<b>110,193</b>
	<b>Ward</b>	<b>5,900</b>	<b>24,455</b>	<b>11,566</b>	<b>12,889</b>
1	No (1)(W)	434	1,721	817	904
2	No (2)(W)	286	1,208	591	617
3	No (3)(W)	337	1,753	812	941
4	No (4)(W)	443	2,077	967	1,110
5	No (5)(W)	351	1,442	669	773
6	No (6)(W)	873	3,507	1,693	1,814
7	No (7)(W)	829	3,637	1,766	1,871
8	No (8)(W)	926	3,707	1,668	2,039
9	No (9)(W)	824	3,179	1,505	1,674
10	No (10)(W)	597	2,224	1,078	1,146
	<b>Village Tract</b>	<b>45,301</b>	<b>191,451</b>	<b>94,147</b>	<b>97,304</b>
1	Ah Lel Chaung(VT)	547	2,304	1,088	1,216
2	Auk Se(VT)	1,134	4,546	2,250	2,296
3	Ah Ywea(VT)	461	2,136	1,056	1,080
4	Byaw Tha Lan(VT)	456	2,305	1,183	1,122
5	Chaung Gyi(VT)	1,077	4,353	2,154	2,199
6	Gon Min Seik(VT)	633	2,601	1,193	1,408
7	Gan Chaung(VT)	720	3,394	1,668	1,726
8	Hnget Pyaw Kyun(VT)	1,598	6,905	3,387	3,518
9	Inn Ma(VT)	594	2,547	1,268	1,279
10	Ka Toke Ka Ma(VT)	404	1,946	1,002	944
11	Kun Thee Pin(VT)	899	3,619	1,718	1,901
12	Kyaung Su(VT)	767	3,449	1,751	1,698
13	Koke Ko Wa(VT)	1,035	4,375	2,170	2,205
14	Kyun U(VT)	921	4,102	2,073	2,029
15	Ka Nyin Kauk Gyi(VT)	2,285	9,765	4,837	4,928
16	Kyon Ta Mar(VT)	1,138	4,655	2,360	2,295

## Population of Nyaungdon Township (Continued)

Sr	Ward/Village Tract	No. of Conventional households	Population		
			Total	Males	Females
17	Kyon Yit(VT)	688	2,809	1,340	1,469
18	Kyein Chaung(VT)	938	3,753	1,801	1,952
19	Me Za Li Da La(VT)	1,731	7,658	3,832	3,826
20	Me Za Li Ywar Haung(VT)	987	4,230	2,102	2,128
21	Moe Hoke(VT)	746	2,970	1,447	1,523
22	Myanmar Pyar Thar(VT)	1,635	6,994	3,451	3,543
23	Nyaung Waing(VT)	838	3,155	1,557	1,598
24	Nyaung(VT)	634	2,886	1,394	1,492
25	Nat Pay(VT)	1,713	6,751	3,189	3,562
26	Hpa Yar Kone(VT)	849	3,782	1,885	1,897
27	Pay Si Kyun(VT)	784	3,326	1,560	1,766
28	Sin Tone(VT)	2,008	8,837	4,319	4,518
29	Sar Ma Lauk(VT)	2,205	9,762	4,896	4,866
30	Sun Ta Nee(VT)	1,746	7,436	3,643	3,793
31	Set Kawt Yae Lel Kyun(VT)	990	3,954	1,889	2,065
32	Set Kawt Taung(VT)	686	3,032	1,481	1,551
33	Than Kyoe(VT)	1,023	3,894	1,823	2,071
34	Tha Pyay Chaung(VT)	1,041	4,188	2,036	2,152
35	Ta Zin Yae Kyaw(VT)	1,767	8,192	4,299	3,893
36	Tu Chaung(VT)	701	2,962	1,468	1,494
37	Hteik Wa Gyi(VT)	965	3,892	1,919	1,973
38	Wea Daunt-Ah Twin(VT)	790	3,117	1,551	1,566
39	War Taw Sun(VT)	1,383	5,364	2,568	2,796
40	Yan Kin San Yar(VT)	780	3,284	1,568	1,716
41	Ywar Thit(VT)	818	3,188	1,525	1,663
42	Zee Hpyu Kyun(VT)	673	2,883	1,492	1,391
43	Tha Byu Yae Lel Kyun(VT)	504	2,102	1,023	1,079
44	Par Hleit (Upper)(VT)	1,009	4,048	1,931	2,117

## RESEARCH QUESTIONNAIRE

The purpose of this interview is to gain insights into the barriers that rural customers face in accessing formal banking services and their perceptions of digital banking solutions. With a growing emphasis on financial inclusion as a critical component of economic development, it is essential to understand the specific challenges that rural communities encounter when trying to access banking services. This study, titled "A STUDY ON CHALLENGES OF CUSTOMERS IN ACCESSING BANKING SERVICES IN RURAL AREAS OF NYAUNGDON, AYEYARWADY REGION", aims to identify the factors that hinder access to financial services, including geographical limitations, infrastructure deficits, digital literacy levels, and financial costs. By gathering firsthand perspectives, this interview will also explore the effectiveness and accessibility of digital banking options, such as mobile and online banking, as potential solutions to promote financial inclusion in these underserved areas. The insights obtained from this interview will contribute to understanding the practical challenges faced by rural customers, thereby informing recommendations for enhancing financial access and digital banking adoption in rural communities.

### SECTION-A

#### Demographic Information

No.	Question
BC1	Age of respondent (Complete years)  ..... year
BC2	Gender  (1) Male  (2) Female
BC3	<b>Marital Status</b>  (1) Single (2) Married (3) Divorced (4) Widowed
BC4	Education Level  (1) No formal education (2) Primary school (3) Secondary school (4) Higher secondary school (5) Diploma or vocational training (6) Undergraduate (7) Postgraduate and above

No.	Question
BC5	<p>Employment Status</p> <p>(1) Unemployed  (2) Self-employed  (3) Employed (full-time)  (4) Employed (part-time)  (5) Other (specify: _____)</p>
BC6	<p><b>Household Size:</b> (Number of people in household)</p> <p>(1) 1–2  (2) 3–4  (3) 5–6  (4) 7 and above</p>

**SECTION-B**

**Socio-Economic Information**

No.	Question
SEF1	<p>Primary Source of Income</p> <p>(1) Agriculture  (2) Daily labor  (3) Small business/trade  (4) Government job  (5) Private sector job  (6) Remittances  (7) Other (specify: _____)</p>
SEF2	<p><b>Monthly Household Income</b></p> <p>(1) Below 10,000  (2) 10,000–30,000  (3) 30,001–50,000  (4) 50,001–100,000  (5) Above 100,000</p>
SEF3	<p>Do you have access to stable electricity at home?</p> <p>(1) Yes  (2) No  (3) Sometimes</p>
SEF4	<p>Do you own any of the following digital devices? (Check all that apply)</p> <p>(1) Mobile phone (non-smartphone)  (2) Smartphone  (3) Computer/laptop  (4) None</p>

SEF5	How far is the nearest bank from your home?  (1) Less than 1 km (2) 1–5 km (3) 6–10 km (4) More than 10 km
SEF6	Do you have internet access at home?  (1) Yes (2) No
SEF7	If yes, what type of internet access do you have?  (1) Mobile data (2) Home broadband (3) Other (specify: _____)

**SECTION-C**  
**Financial Behavior and Access**

No.	Question
FBA1	Do you have a bank account?  (1) Yes (2) No
FBA2	If no, what are the main reasons? (Check all that apply)  (1) Lack of required documents (2) High fees (3) Distance to the bank (4) Limited banking awareness (5) Lack of trust in banking institutions (6) Other (specify: _____)
FBA3	How frequently do you visit a bank?  (1) Once a month (2) Every few months (3) Rarely (once a year or less) (4) Never
FBS4	How do you usually travel to the bank?  (1) Walk (2) Bicycle (3) Public transport (4) Personal vehicle (5) Other (specify: _____)

FBA5	<p>What challenges do you face in accessing banking services? (Check all that apply)</p> <ul style="list-style-type: none"> <li>(1) High travel costs</li> <li>(2) Poor transport infrastructure</li> <li>(3) Limited banking hours</li> <li>(4) Long waiting times at the bank</li> <li>(5) Lack of digital skills for online banking</li> <li>(6) Language barriers</li> <li>(7) Safety concerns when traveling</li> <li>(8) Other (specify: _____)</li> </ul>
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### SECTION-D

#### Attitudes and Perceptions toward Banking Services

No.	Question
APBS1	<p>How important do you think having access to banking services is for improving your economic situation?</p> <ul style="list-style-type: none"> <li>(1) Very important</li> <li>(2) Somewhat important</li> <li>(3) Not very important</li> <li>(4) Not at all important</li> </ul>
APBS2	<p>How satisfied are you with the available banking services in your area?</p> <ul style="list-style-type: none"> <li>(1) Very satisfied</li> <li>(2) Satisfied</li> <li>(3) Neutral</li> <li>(4) Dissatisfied</li> <li>(5) Very dissatisfied</li> </ul>
APBS3	<p>What would help you most in accessing banking services? (Check all that apply)</p> <ul style="list-style-type: none"> <li>(1) Improved transport options</li> <li>(2) More branches closer to rural areas</li> <li>(3) Lower fees and service charges</li> <li>(4) Financial education and awareness programs</li> <li>(5) Mobile banking options</li> <li>(6) Government support and incentives</li> <li>(7) Other (specify: _____)</li> </ul>
APBS4	<p>Do you think digital banking solutions (e.g., mobile banking) could help improve your access to financial services?</p> <ul style="list-style-type: none"> <li>(1) Yes, definitely</li> <li>(2) Maybe, to some extent</li> <li>(3) No, I do not think so</li> <li>(4) I am not familiar with digital banking</li> </ul>

**SECTION-E**  
**Infrastructure and Banking Facilities**

No.	Question
IBF1	<p>Are there adequate banking facilities (e.g., ATMs, branches) in your area?</p> <p>(1) Yes, enough facilities (2) Limited facilities (3) No facilities</p>
IBF2	<p>What infrastructure-related challenges do you encounter when accessing banking services? (Check all that apply)</p> <p>(1) Poor road conditions (2) Lack of reliable transportation (3) Frequent power outages affecting ATMs and services (4) Unavailable or unreliable internet/mobile network for online banking (5) Other (specify: _____)</p>
IBF3	<p>Do you have access to other financial services (e.g., mobile money agents, microfinance)?</p> <p>(1) Yes (2) No (3) I am not familiar with these services</p>

**SECTION-F**  
**Digital Literacy and Use of Digital Banking**

No.	Question
DL1	<p>Are you aware of digital banking options (e.g., mobile banking apps, online banking)?</p> <p>(1) Yes (2) No</p>
DL2	<p>Do you use any digital banking services?</p> <p>(1) Yes, regularly (2) Yes, but rarely (3) No, I do not use digital banking</p>
DL3	<p>If you do not use digital banking, what are the main reasons? (Check all that apply)</p> <p>(1) Lack of digital skills or knowledge (2) Limited internet access (3) Concerns about privacy and security (4) Difficulty in using apps due to language barriers (5) Preference for in-person banking (6) Other (specify: _____)</p>

No.	Question
DL4	<p>How confident are you in using digital devices (e.g., smartphones, computers) for financial transactions?</p> <p>(1) Very confident  (2) Somewhat confident  (3) Not very confident  (4) Not confident at all</p>
DL5	<p>What would help you feel more comfortable using digital banking services?  (Check all that apply)</p> <p>(1) Digital literacy training or guidance  (2) Lower fees for mobile/internet services  (3) Simplified banking apps or interfaces  (4) Assurances on security and privacy  (5) Other (specify: _____)</p>

**SECTION-G**  
**Financial Costs**

No.	Question
FC1	<p>Do you feel that banking services (e.g., account fees, transaction costs) are affordable for you?</p> <p>(1) Yes  (2) No</p>
FC2	<p>What types of financial costs make it challenging to access banking services?  (Check all that apply)</p> <p>(1) High account maintenance fees  (2) High transaction fees  (3) High travel costs to visit bank branches  (4) High costs for internet or mobile data needed for online banking  (5) Other (specify: _____)</p>
FC3	<p>Have financial costs ever prevented you from using banking services?</p> <p>(1) Yes, often  (2) Occasionally  (3) No, never</p>
FC4	<p>Would you consider using more banking services if costs were reduced?</p> <p>(1) Yes, definitely  (2) Maybe  (3) No</p>

**SECTION-H**  
**Additional Feedback**

No.	Question
AF1	<p>What improvements would make banking services more accessible for you? (Check all that apply)</p> <p>(1) More local branches in rural areas            (2) Better road infrastructure            (3) Lower account and transaction fees            (4) Digital literacy programs            (5) Improved security for digital banking            (6) Financial support for transportation to banks            (7) Other (specify: _____)</p>

**SECTION-I**  
**Awareness and Availability of Digital Banking Services**

No.	Question
AAD1	<p>Are you aware of the digital banking services provided by banks in your area (e.g., mobile banking, online banking, SMS banking)?</p> <p>(1) Yes (2) No</p>
AAD2	<p>Which digital banking services do you know are available to you? (Check all that apply)</p> <p>(1) Mobile banking apps            (2) Online banking through a website            (3) SMS-based banking            (4) USSD banking (no internet required)            (5) Other (specify: _____)</p>
AAD3	<p>How did you first learn about digital banking options?</p> <p>(1) Bank staff            (2) Friends or family            (3) Advertising (TV, radio, etc.)            (4) Community meetings            (5) Social media            (6) Other (specify: _____)</p>
AAD4	<p>Are there regular initiatives in your area to promote digital banking services (e.g., awareness campaigns, workshops)?</p> <p>(1) Yes, often            (2) Occasionally            (3) No            (4) Not sure</p>

**SECTION-J**  
**Access to Digital Banking**

No.	Question
ADB1	<p>Do you currently have the technology (e.g., smartphone, internet) required to use digital banking services?</p> <p>(1) Yes (2) No</p>
ADB2	<p>If you do not have access to the required technology, what are the main reasons? (Check all that apply)</p> <p>(1) Cannot afford a smartphone or internet data (2) Poor network coverage in the area (3) Lack of electricity to charge devices (4) Other (specify: _____)</p>
ADB3	<p>How frequently do you use digital banking services?</p> <p>(1) Daily (2) Weekly (3) Monthly (4) Rarely (5) Never</p>
ADB4	<p>Do you face any challenges in accessing or using digital banking services? (Check all that apply)</p> <p>(1) Unreliable internet connectivity (2) App or website issues (e.g., crashes, slow loading) (3) Limited language options (4) High costs for internet data (5) Lack of support or guidance for usage (6) Other (specify: _____)</p>

**SECTION-K**  
**Effectiveness and Perceived Benefits of Digital Banking**

No.	Question
EPB1	<p>How effective do you find digital banking services in saving time compared to visiting a bank branch?</p> <p>(1) Very effective (2) Somewhat effective (3) Not very effective (4) Not effective at all</p>

No.	Question
EPB2	<p>What are the main benefits you experience from using digital banking services? (Check all that apply)</p> <ul style="list-style-type: none"> <li>(1) Convenience of remote access</li> <li>(2) Faster transaction processing</li> <li>(3) Reduced travel costs to visit a branch</li> <li>(4) Ability to manage finances anytime</li> <li>(5) Security in making transactions</li> <li>(6) Other (specify: _____)</li> </ul>
EPB3	<p>Do you feel that digital banking services meet your needs for regular banking activities (e.g., money transfers, balance checks, bill payments)?</p> <ul style="list-style-type: none"> <li>(1) Yes, very well</li> <li>(2) Somewhat</li> <li>(3) Not much</li> <li>(4) Not at all</li> </ul>
EPB4	<p>How safe do you feel when making transactions through digital banking services?</p> <ul style="list-style-type: none"> <li>(1) Very safe</li> <li>(2) Somewhat safe</li> <li>(3) Not very safe</li> <li>(4) Not safe at all</li> </ul>
EPB5	<p>Have you experienced any issues with digital banking security (e.g., unauthorized transactions, privacy issues)?</p> <ul style="list-style-type: none"> <li>(1) Yes</li> <li>(2) No</li> </ul>

**SECTION-L**  
**Satisfaction and Suggestions for Improvement**

<b>No.</b>	<b>Question</b>
SSI1	<p>How satisfied are you with the digital banking services available in your area?</p> <ul style="list-style-type: none"><li>(1) Very satisfied</li><li>(2) Satisfied</li><li>(3) Neutral</li><li>(4) Dissatisfied</li><li>(5) Very dissatisfied</li></ul>
SSI2	<p>What improvements would make digital banking more accessible and effective for you? (Check all that apply)</p> <ul style="list-style-type: none"><li>(1) Better network coverage in rural areas</li><li>(2) Reduced costs for data and mobile banking transactions</li><li>(3) More simplified apps and interfaces</li><li>(4) Increased security measures</li><li>(5) More local language options</li><li>(6) Training and guidance on using digital banking</li><li>(7) Regular customer support</li><li>(8) Other (specify: _____)</li></ul>
SSI3	<p>Would you recommend digital banking to others in your community?</p> <ul style="list-style-type: none"><li>(1) Yes, definitely</li><li>(2) Maybe, depending on improvements</li><li>(3) No, I would not recommend it</li></ul>