

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
MASTER OF BANKING AND FINANCE PROGRAMME**

**PERCEPTION OF UNBANKED PEOPLE ON
BANKING SERVICES
(Case Study in Kamayut Township, Yangon)**

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DECEMBER, 2018

**PERCEPTION OF UNBANKED PEOPLE ON
BANKING SERVICES
(Case Study in Kamayut Township, Yangon)**

A thesis submitted as a partial fulfilment towards the requirements for the
degree of Master of Banking and Finance (MBF)

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ABSTRACT

This thesis found the status of perception of unbanked people in sub-urban area. The study was conducted to 200 respondents who are being unbanked from selected area to explore cognitive, affective, behavior and perception regarding banking services. As unbanked people's perception towards banking services is high, it is urgent to improve the situation by raising public awareness, community based information management system and trustworthy about banks. The study is based on secondary data, quantitative approach and knowledge-in-depth interview to fulfill this study. Although this analyze is one sub-urban areas in Yangon, the current result would reveal to other area that about perception of people towards banking services. The study found that current people beliefs, knowledge, experience, emotions, feelings, prejudices, intentions, habits and reactions are subjective in using banking services in selected area. Overall perception of being unbanked are in the high level of perception not using banking services thus banks need to consider reduce the gap by reaching to unbanked at the soonest.

ACKNOWLEDGEMENTS

As a partial fulfillment for MBF course, a thesis had to be submitted to Yangon University of Economics. During semester course, although some subjects were found difficult to learn, the unique finding was the subject wise teachers are very enthusiastic in respective economic subjects. So, all teachers were greatly thankful people for MBF course.

I would like to acknowledge my indebtedness to Dr. Tin Win, Rector of Yangon University of Economics. I also express my appreciation and thanks to Professor Dr. Daw Soe Thu, Programme Director, was the most regard-able person for her giving inspiration to thesis in time.

I am most grateful to Associate Professor Daw Khin Nwe Ohn, my thesis advisor, for her guidance, supervision, instructions and invaluable suggestions in carrying out this thesis. Without her assistance, it would have been impossible to accomplish this study in time. I am truly grateful to Dr Kyaw Myint Tun, Monitoring and Evaluation Technical Advisor of University Research Co., LLC for his enormous support to my thesis. It had been an unforgettable understanding from local authority, residence committee as well as from respondents and my survey team.

Last but not least, I thank my family members. My mother and my aunt although they were unfit and weak, had taken over my household duties during surveying and thesis writing; it had been a great debt of thanks to them and my son as well.

Finally, I alone am responsible for views expressed in this thesis.

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LIST OF ABBREVIATIONS

CBM	-	Central Bank of Myanmar
FDIC	-	Federal Deposit Insurance Corporation
GIZ	-	Deutsche Gesellschaft für internationale Zusammenarbeit
ICV	-	Investment Community Visibility
MDG	-	Millennium Development Goal
MPU	-	Myanmar Payment Union
POS	-	Point of Sales
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
USA	-	United States of America
UNCD	-	United Nations Capital Development

CHAPTER I

INTRODUCTION

Financial Services sector engages a distinctive place among all business sectors in every country. It plays a critical role for overall economic development, founding growth in other sectors by providing necessary funds to numerous economic agents. Most of all developed countries have reached an advanced stage of development with a relatively large, sufficiently successful and reasonably sound financial sector (Roland Berger, 2016). A sound financial system is an engine for the development of the country and makes an important contribution to economic growth. Any nation must have a strong banking and financial system.

A bank is a financial institution that takes deposits from the public and generates credit. To their importance in the financial stability of a country, banks are highly regulated in most nations. Banking business is receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes other business firms. Bank provides different payment services, and a bank account is considered indispensable by most businesses and individuals. In any country, the banking services are more reliable and innovative which can bring rapid economic development. Nowadays, banks are no longer doing their local functions and they are marching towards modern banking to fulfil customers' conveniences.

Myanmar remains a cash oriented economy with high inflation, bank runs, and insider lending has fueled public distrust of the banking and financial services industry. Modern banking and financial services in Myanmar are in their infancy. Myanmar's banking sector has weakened over the years and suffered many ailments. Based on the market needs and current shortcomings, far-reaching reforms under the stewardship of the Central Bank of Myanmar coupled with significant and continual efforts from all stakeholders to implement change. However, Myanmar's financial sector has been achieved various prominent milestones in recent years.

With reference to GIZ 2016 report, the current financial sector in Myanmar can fulfil its role as a financial intermediary only to a limited extent. Myanmar has been moving forward with major reform in financial sector including banking sector (GIZ report, 2016).

In recent years, the new government has made several releases on restrictions on private banks, the dependence of Central Bank of Myanmar, the establishment of Yangon Stock Exchange and new launched Financial Institutions Law of Myanmar. The recent prominent reform is permitting foreign banks to compete in the local banking industry. This is very important and this ensures fair competition, removes fear factor and improve local banks in competing with foreign firms. Foreign banks cannot stand alone and they need local partners, which will bring the capacity development for local banks, in the long run, collaborating with foreign banks.

The performance of banking services can attract the people to have come to use banking services either rural or urban areas in Myanmar. Therefore, any bank must prioritize the provision of high quality services and products to its customers. Focusing on the providing best services and quality products, the bank will gain the trust from the customers.

1.1 Rationale of the Study

Following years of political and financial unrest, changes are now sweeping across Myanmar. A series of legal transformation display the country's commitment to improve its economic standing. The Myanmar banking sector is particularly facing challenges and nature of the regulatory reform process in developing people a re-establishing public trust in banking industry. Though many private banks stretches to have more outlets across the country, there are many people who are not interested to use bank called unbanked people. Unbanked is a slang term for adults who do not use banks or banking institutions in any capacity. Unbanked people generally pay for any items by cash in Myanmar. Underbanked refers to families that prefer to manage their finances through cash transactions instead of more traditional financial services such as checking accounts, savings accounts, credit cards and loans (Investopedia).

People become to be unbanked for many reasons. Poor individuals may also have no need for banking services since they try to survive day-to-day lives, and may find that they are unable to maintain minimum balances, afford account fees, or difficult to reach to and from bank branches during banking hours. Lower income individuals consistently run down their income balances near-zero at the end of every pay period (John P. Caskey, 2002). People living in rural area, they still have no concern about banks and some they have never heard about bank. Most of the organizations in big cities are making salaries

still in cash and some they do not have own organization bank accounts. Some people those are educated or may be rich still not holding bank accounts or any banking facilities in Myanmar.

Myanmar's financial sector is growing very rapidly, according to GIZ 2016 report, yet from a very low level and which is dominated by the banking sector, which represents about 90% of all financial sector assets in 2016 about MMK 42.4 Trillion (GIZ report, 2016). The large portion of Myanmar citizens are financial illiterate. Regarding to this, they are unprepared for long-term financial planning, unfamiliar with the banking services and no endeavor is put for their individual development. Private Banks launch quality retail banking services to compete globally and use various strategies to retain customers and attract new customers but the products and services are mostly common.

1.2 Objective of the Study

The main objective of the study is to examine the perception of unbanked people on banking services.

1.3 Scope and Method of the Study

In this study, the descriptive method is used. This study uses both primary and secondary data. Primary data is collected by using survey method, interviewing and raising questions, in meetings with respondents. The structured questionnaire is used to access the setting objectives. This survey questionnaire is distributed randomly to 200 household-members in Ward (2), Kamayut Township, Yangon as a sample size for this study but that does not represent Yangon.

The number of conventional households in Ward (2) is 1,018 households and 30% of the households, equivalent to 300 households, considered as the sample size. However, unpredictable number of households who are being unbanked during interview, the sample size of total unbanked to this study is considered as 200 households. This study will focus on unbanked people awareness on banks and study period is in December 2018. The secondary data is used from various books, websites and papers.

1.4 Organization of the Study

This study has been scripted into five chapters. Chapter 1 describes the introduction, rationale, objective, scope and method of the study. The chapter 2 presents conceptual framework of the unbanked people and banking services and products. Chapter 3 entails about banking sector in Myanmar. The chapter 4 provides the analysis of perception of unbanked people on banking services. The conclusion and suggestions are presented in chapter 5.

CHAPTER II

CONCEPTUAL FRAMEWORK

This chapter provides literature review of the unbanked people of the world, reasons to be unbanked, the influencing factors of people' perception, concept of consumer behavior, nature of services, innovation of banking services, review on previous studies and conceptual framework of the study.

2.1 The Unbanked People of the World

The unbanked people means people without bank accounts. They do not normally have bank accounts because they are not a part of mainstream society. They may be immigrants, people in extreme poverty who are not able to open a bank account or they do not need to have bank accounts.

More than two thirds of the 6.5 billion people in the world do not have a bank account or struggle to find banking resources near their homes. The World Bank has reported that bank branch offices are few and far between in the poorest areas of the world with fewer than four branches per 100,000 inhabitants in low income areas. ATMs and point-of-sale devices are even less common, even though they are seemingly ubiquitous and sometimes going to the nearest bank would mean a long walk of several miles just to conduct the most basic financial transaction.

Other bankers plan to initiate a new program to enable mobile telephones to become banking devices that can be a payment instrument just like credit or debit card do. Just as mobile phones have bridged the communications divide in areas of the world where traditional telephony never existed, they intends to enable these phones to become instruments of finance for the billions of people who are unbanked (worldunbank.org).

There are several reasons to see that the number of unbanked people will decline significantly in upcoming years, with important positive implications for development of the country, poverty reduction, economic development and uprising of new technical know-how. Firstly, general public and national-level efforts, both not-for-profit and for-profit, are already indicating how “unbanked” does not have to be the status quo-and those efforts are greatly facilitated by mobile devices.

Secondly, major financial institutions are supporting efforts to give more of the world's population access to bank accounts and standard financial tools. Thirdly, governments recognizing the value of getting citizens into the financial system are driving change by increasingly moving to electronic payments.

Majority of population in developing countries, especially in rural areas, live a major distance from the bank. Informal workers are also usually self-employed and do not have steady income and received income on daily basis for the number of hours worked or tasked completed. It is definitely hard for informal workers to plan their costs in advance. Regarding to this uncertainty income, the unbanked people have a greater challenge to access financial services and mostly end up with higher charges from informal financial services. There is always differentiation on the management of financial services between the rich and the poor. High income families might not pay attention to their day to day expenses but the low and moderate-income struggle for the financial needs.

According to the World's Bank 2017 Global Findex report, the unbanked population of the world in 2014 was 2 billion adults and now shrank to 1.7 billion adults whom without an account at a financial institution or through a mobile money provider. Because account ownership is nearly universal in high-income economies, virtually all unbanked adults are in developing economies. Women are also overrepresented among the unbanked in most economies. About 980 million do not have an account, 56 percent of all unbanked adults globally. This is true even in economies that have successfully increased account ownership and have a relatively small share of adults who are unbanked. Those without an account, men as well as women, tend to be concentrated among poorer households. Globally, about a quarter of unbanked adults living in the poorest. Unbanked adults are disproportionately young.

Globally, 30 percent of unbanked adults are between 15 and 24 years old. Among all adults in developing economies, only 23 percent drop in that age group. The unbanked population is even younger in economies where the share of unbanked adults is relatively small. 20 percent of households within their economy, about twice the share living in the richest 20 percent (World Bank, 2017). Two billion adults' data was Twenty percent more in 2011, indicating the progress being achieved. From 2011 to 2014, the percentage of adults with an account at a mobile money service provider or a financial institution grew from fifty one to sixty two percent (Paul Bryzek, 2018).

Federal Deposit Insurance Corporation's 2017 survey indicates that 6.5 percent of households in the United States were unbanked in 2017. This proportion represents approximately 8.4 million households. It examines a number of additional topics, including the methods that banked households used to access accounts, bank branch visits, use of prepaid cards, use of alternative financial services, saving for unexpected expenses or emergencies, use of credit, and the methods that households used to conduct financial transactions in a typical month (FDIC, 2018).

2.2 Reasons to be Unbanked

The global financial services industry has a long way to go in reaching to unreached. However, emerging FinTech could outrun banks and become a solution to cover unbanked people around the world. According to World Bank Global Findex Database 2017, about 1.7 billion adults globally remain unbanked, without an account at a financial institution or through a mobile money provider. Access to affordable financial services is linked to overcoming poverty, reducing income disparities, and increasing economic growth.

There are several reasons of unbanked as below;

- (a) Life without a bank account
- (b) Being blacklisted by major banks
- (c) A young consumer
- (d) Avoid debt collectors
- (e) Fed-up with fees

(a) Life Without a Bank Account

Having a bank account is as natural as breathing for most of us. However, some people in the globe they don't have a bank account which means they supplement their bank account with alternative financial services. Consumers frequently turn to nonbank financial products that many consumer advocates describe as predatory at worst and insufficient at best. The unbanked are more likely to fall victim to the high-rate (predatory) side of the industry, like payday, account-advance, tax refund-advance and structured, settlement-advance loans, to name a few (Michael Estrin, 2013).

Typically, the unbanked people tend to be poor and working class people who choose to stay away because they either don't have the financial resources to maintain a bank account, or lack knowledge of how the banking system works. But that's not always the case. In fact, there are a number of reasons why some individuals are unbanked (Michael Estrin, 2013).

(b) Being Blacklisted by Major Banks

Generally, money and a little personal information are all it takes to open a bank account. But increasingly, many banks are decreasing business because the prospective account holder has a record of financial mistakes, such as bounced checks or relatively minor overdrafts. In fact, many Americans have effectively been blacklisted from major U.S. banks because they have failed background checks (Michael Estrin, 2013).

Unfortunately, banks are rules-driven bureaucracies. If the policies governing new account openings mandate that applicants who fail this background check be declined, impacted consumers will have a tough time convincing clerks to advocate for exceptions. But it might not be impossible. If a consumer remedies the issue or can prove that there was a mistake in a background check, they might be able to convince the bank to take a chance on them (Michael Estrin, 2013).

(c) A Young Consumer

The age is a key indicator of banking status. According to Federal Deposit Insurance Corporation data, about half of young people between 18 and 24 are unbanked because they just start in life. Factor in recent macroeconomic trends which have been especially harsh on the young, such as student debt and a flat jobs market, and you have a potent combination.”

There is a trend also concerns. Most of the students are preconditioned to using debit cards that are linked to the checking accounts they and their parents set up as a means for channeling cash back and forth. A sizable percentage have also been hit with overdraft and other service fees. Debit cards and fees and it has a short leap to prepaid debit cards that end up costing as much. Moreover, many young people also use “account advance” and “bill pay” loans as “borderline predatory”. Typically, with those products, the fees and interest may look small upfront, but oftentimes the annual percentage rate ends up being 120 percent or more (Michael Estrin, 2013).

(d) Avoid debt collectors

Some consumers opt out of the banking system to escape from debt collectors, who can levy bank account funds in some cases. Without having bank account, one can still hide to repay back to the debtors for the debt as much as one can though can be investigate to reveal other property such as car or house owned by the debtor to satisfy the outstanding obligation (Michael Estrin, 2013).

(e) Fed-up with Fees

Nobody adores fees, but according to a Pew study, one-third of the households that left banks altogether did so because of unexpected or unexplained fees. Households may cite fees as a key reason for exiting the banking system because the cost of banking as the primary obstacle in account ownership. Nevertheless, the fees issue might actually have more to do with transparency than the cost of banking. Transparency is key. Some consumers feel as if traditional providers trick them into fees, while alternative financial services providers are perceived as more open but alternative financial services providers definitely have higher fees. In practice, fees may be unavoidable. Consumers are better served by closely examining fees and fee structures rather than looking for free financial services, which typically turn out to be too good to be true (Michael Estrin, 2013).

2.3 Influencing Factors of People's Perception

Perception is a process by which individual organize and interpret the sensory perceives in order to give one's meaning to the environment. However, what one perceives can substantially different from objective reality. People look the same thing but perceive differently. A number of factors operate to shape and sometimes distort perceptions. The factors that influence the people perception are as follows:-

(a) Culture

The culture in the nearest surrounding is a huge influence on purchasing decisions for the people. People have all grown up creating own ideologies, perceptions, preferences and values from the culture around. From this they have formed an idea of what is acceptable and what is not, which is known as a cultural norm which may better be described as an understood way of acting or behaving prescribed by the society as a whole. One of the best examples of cultural factors influencing on buying habits is taking a look around the world at what other cultures are buying to eat compared to. Thus, the cultural factors influence inbound marketing (Cody Goolsby, 2014).

The obvious one is some cultures do not rely on the internet heavily or even at all. The older population not only has a very low understanding of the internet, but often do not faith in it. Also the website needs to speak the language of the culture. Not just the actual culture reside in, but more importantly the culture created around the industry. Every industry has its own language, so when creating copy for a site, to make sure speaking the same language. When it speaks the terms, it builds trust which goes a long way when trying to sell a product (Cody Goolsby, 2014).

(b) Social

Humans are naturally social ,which is the interaction with one another, is personally just not enough, nowadays using through social networks such as Facebook, Twitter, LinkedIn and Google excreta. The groups that people belong to will influence the purchasing decisions. It could be the friends, family or maybe individual social status. Depending on the current social role one is playing, it will influence the way one's purchase (Cody Goolsby, 2014).

These social networks are influencing the purchase products or services. When one hear other's friends and families attitude towards a certain product and it creates an attitude within oneself (Cody Goolsby, 2014).

(c) Psychological

Every individual has heard of Maslow's hierarchy of needs, which states the needs are arranged in a hierarchy from most pressing to least. This can be the need for food, water, and shelter, so on. After a basic physiological need is satisfied, one move to the next in the list. People are changing the behavior at all times and it will influence the positive way towards purchasing product or service. One's psychological stimulus the beliefs, attitudes and perception, which all play a factor in the final decision to attain (Cody Goolsby, 2014).

(d) Personal

The personal characteristics of individual purchaser will play a factor as what to purchase such as gender, age, occupation, lifestyle, personality, and so on. These factors really affect buying decisions. Female seldom purchase male's personal items. People do not wear the same fashion for the life time. So, these personal preferences in mind are leading the purchasing power and those cater to each segment's preference. The idea can

be found in current advertising strategies on commercials, on sports channels (Cody Goolsby, 2014).

2.4 Concept of Consumer Behavior

Consumer behavior is the study of people mind in which why, what, when, where and how people make a decision of buying a product or not. It is an inter-disciplinary social science that blends elements from psychology, sociology, social anthropology, anthropology, ethnography, marketing and behavioral economics. It also observes how emotions, attitudes and preferences affect buying behavior. Individual consumer characteristics such as demographics, personality lifestyles and behavioral variables in an attempt to understand people's wants and consumption. It similarly explores the influences towards the consumer from groups in general such as family, friends, peers, reference groups, and society. The consumer behavior is concerned with all aspects of purchasing behavior from pre-purchase through to post-purchase activities and it is difficult to predict, even for experts (Wikipedia).

Consumer attempt for purchasing any goods also bring up based on the needs and affordability. Affordability naturally come up with generated income but some people may buy on credit for short-term. Needs arises with times on best suited items to spend for. Consumer behavior derives from the senses of pleasure, satisfaction, motivation and deepest desire to possess or collect things.

In natural science, perception refers to the senses that any organism uses to collect information about its environment. Wade & Tavriss (1987) noted that the senses corresponding to the human sense organs have been categorized at least, since Aristotle's time, vision by eyes, hearing by ears, taste by tongue, touch by skin and smell by nose. According to the modern outlook, human senses of smell and taste are so closely entwined (Walters & Bergiel, 1989).

Walters et al. (1989) expanded on the definition by stating that every perception involves a person who interprets through the senses something, event, or relation which may be designated as the percept. Van der Walt (1991) adds that perception occurs when sensory receptors receive stimuli via the brain, code and categorize them and assign. The perception process is also complicated due to the possibility that individuals may be stimulated below their level of conscious awareness and also known as subliminal

perception, i.e they can perceive stimuli without being consciously aware of the stimuli in question.

Individuals also experience a certain amount of risk when making a purchasing decision and have a limited capacity to process at the different stimuli directed at them. This leads to a selective perception process where individuals will expose themselves selectively to marketing incentives, pay selective attention to these stimuli and then interpret it to conform with previous held beliefs and attitudes. Only messages conforming to held beliefs will be retained (Pieter Gerhardus Mostert, 1996).

2.5 Nature of Services

Services can be provided from the provider to the recipient for the needs. It was invented and being provided by human so it can be called as human service (Chaim Zins, 2001). Providing service by one to other is the best solution of doing professional things on behalf of others who have expertise or someone who needed extra hands to accomplish things in very limited frame of time or easier and faster. Nowadays, there are variety means of services are being provided from person to person, business to business, person to business and to government vice-versa.

The word of “service” rolled off the tongues of politicians in United States of America (USA). The president of John F. Kennedy’s words “ask what you can do for your country.” were so embedded in US’s civic catechism that the mere mentioned of the word “service” automatically called it onwards. Bill Clinton praised “the idea of service” and George W. Bush did. The meaning of service was rooted deeply in US history and America had changed since September 11, 2001. Even before September 11, President Bush had signaled a warmer view of service than many in his party. Respect for service soared as the nation forged a new and stronger sense of solidarity in the face of deadly enemies. Consequently, the politics of national service were also transformed (E.J. Dionne and K.M. Drogosz, 2003).

After September 11, service became a stronger theme in the president’s rhetoric. The President Bush’s 2001 State of the Union message, called on Americans to give two years of service to the nation over the lifetimes. It was a patriotic, post-September 11 gloss on the Clinton ideas and the ideas of John F. Kennedy, Lyndon B. Johnson, and Bush’s father, the first President Bush, who offered the nation a thousand points of light (E.J. Dionne and K.M. Drogosz, 2003).

It is extremely important to explore the distinct features of services, because acknowledgement of these exceptional characteristics will provide intuitions for enlightened and innovative management. One of the reasons for the poor quality of service levels across different service industries is that managers often tend to solve service marketing problems with tools and techniques that are essentially meant for tangible products. It happens because of inadequate understanding about the nature of services. As people's knowledge of the characteristics of services grows, so does the ability to deal with them from both an economic and marketing perspective. Services have a number of unique characteristics that make them different from products (Dr. M.R.P. Singh, 2015). Services represent an important term in basic economics. Services are actions people perform, such as haircuts, cleaning, tailoring services (Rebekah Richards, 2017).

2.6 Innovation of Banking Services

The history of banking is intertwined with the history of money. Ancient types of money known as grain-money and food cattle-money were used from a time of around at least 9000 BC, as two of the earliest things that could be used for the purposes of barter (Wikipedia). Banking Sector plays a vital role in every country for the economic growth as well as currency factor. Majority development for a country depends on banking sector as banks maintain the competition between currencies of numerous developed and developing countries. All banks usually work for the consumer satisfaction as a result they accept money from all their customers in a way that they also give an interest on deposited money with the duration passed to money in bank. A person who has deposited the money into bank can be able to withdraw it at any time of instance (Prateek Bhanot, 2017).

Bank products are intangible and cannot be sensed by five senses; feeling, smelling, seeing, tasting and hearing. These products are not possible to exhibit to see very obviously in the sight of customers. Due to this, banks provide other forms to reach or be aware by customers. Customers will test out the services in pre-purchasing period to justify before making decision of purchase. The role of selling service is extremely crucial to provide wide information, clear explanations, and incentives to individual customer in this trial period for easy decision making process.

2.7 Review on Previous Studies

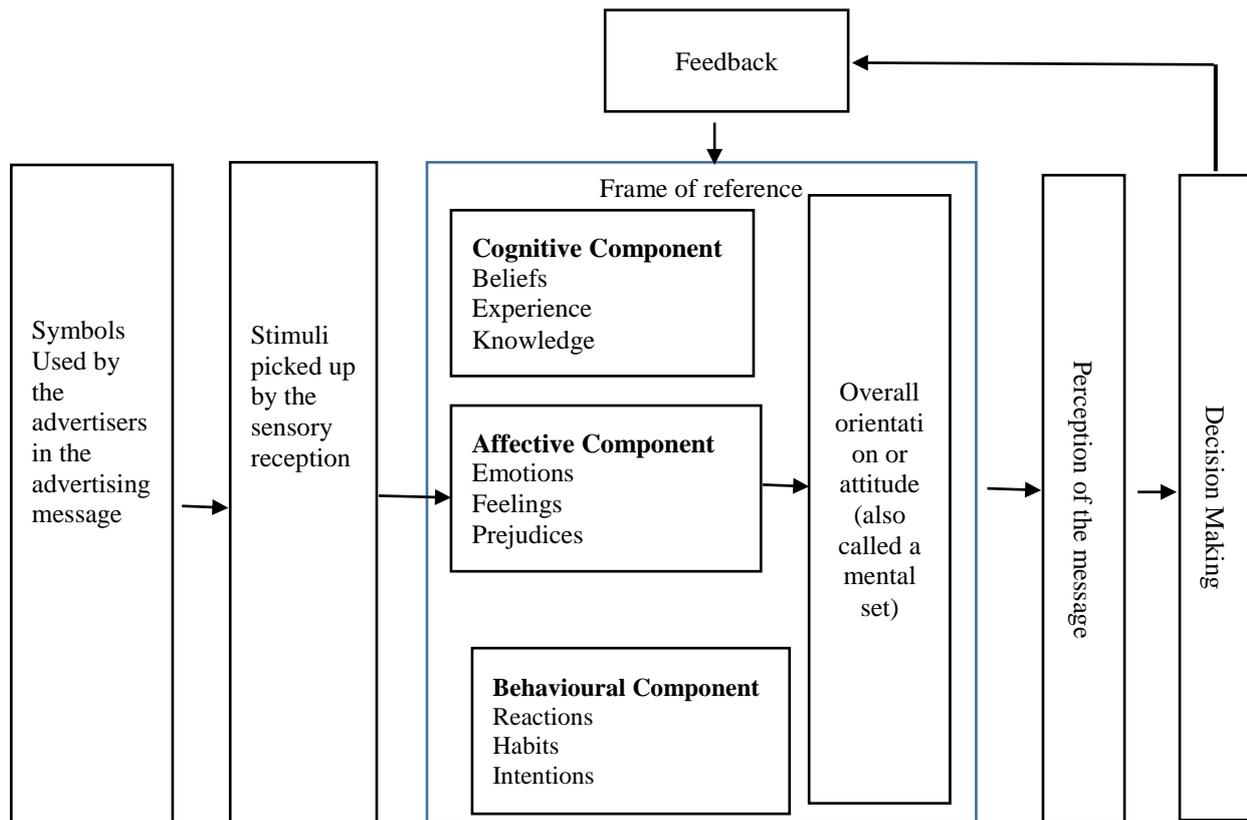
The applicant has learnt various research papers and thesis. First of all studies, it was by Khin Sone (2016), MBF Thesis in Myanmar, “The Perception of Unbanked People on Banking Services in Myanmar”. The study found that to promote the awareness of banking service performance to be convenience and for the trustworthy on banking services. In addition, Shin Phone Wai (2017), MBF Thesis in Myanmar, “Perception of Unbanked People on Baking Services”. It is also found that banks need to promote trust in banking and no default situation even on banking crisis.

Moreover, the applicant has learnt Myat Mon Mon Yee (2017), MBF Thesis in Myanmar, “Consumer Perception on Baking Services of State-Owned Banks and Private Banks”. The study found that the perception of consumer perception on private banks is higher than that of state-owned banks.

At last, the applicant has learnt Pieter Gerhardus Mostet (1996), Magister Commercii (Marketing Management) Thesis in University of Pretoria in South Africa, “Consumer Perceptions of Displayed Product Attributes in Advertising”. The study stated that perception process may be the most significant barrier to effective communication due to the number of different influences on the perception process. Important to note is the fact that the total perception process is highly individual and that the same person may devote a different meaning to the same stimuli in different situations. Information to be retained passes through the perception process.

From this study, the applicant has applied the conceptual frame work of “Information Flow Through The Frame of Reference” by Van der Walt (1991), as shown below in Figure (2.1).

Figure (2.1) Information Flow through the Frame of Reference



Source: Van der Walt (1991, p. 297)

According to Van der Walt (1991), the evaluation of every stimulus to which a person is exposed in the light of previously held emotions, behavioral intentions and beliefs and it was concluded in an overall orientation or attitude towards a certain thing, also referred to as a mental set. The three main components through which all information must flow in the frame of reference are the cognitive, affective and behavioral components.

(a) Cognitive component

The cognitive component consists of the total configuration of beliefs and knowledge about a certain object, as well as previously gained experience.

(b) Affective component

The affective component involves emotions, feelings and prejudices. Prejudices refer to faulty interpretations made previously, and such prejudices cannot be changed easily.

(c) Behavioral Component

The behavioral component has to do with habits, reactions and intentions. Any information contradicting one's habits and intentions will not be accepted easily.

Therefore, it can be said that if it is stated that a message was perceived, it means that the stimuli have passed through all three components of the individual's frame of reference in such a way that the person is ultimately able to come to a decision. The fact that stimuli are passing through a person's frame of reference does not mean that the message was perceived correctly or that the decision that flows from it will be positive. According to Walters et al. (1989), it is important to note that the meaning of the market stimulus depends on the context in which it is perceived. All human senses have some limit to responsiveness to stimulation. These limits are referred to as thresholds (Pieter Gerhardus Mostet, 1996).

2.8 Conceptual Framework of the Study

The applicant has now derived a new model to my thesis "Perception of Unbanked People on Banking Services" for Master degree by own compilation. In this study, cognitive, affective and behavior and demographic components were taken into account from the previous study and shown in Figure (2.2).

(a) Cognitive Component

To know the perception of unbanked people, the study has examined to the unbanked respondents by asking respondents beliefs, knowledge and experience related to banking services. As a result, the study may probably reveal people perception regarding the cognitive component.

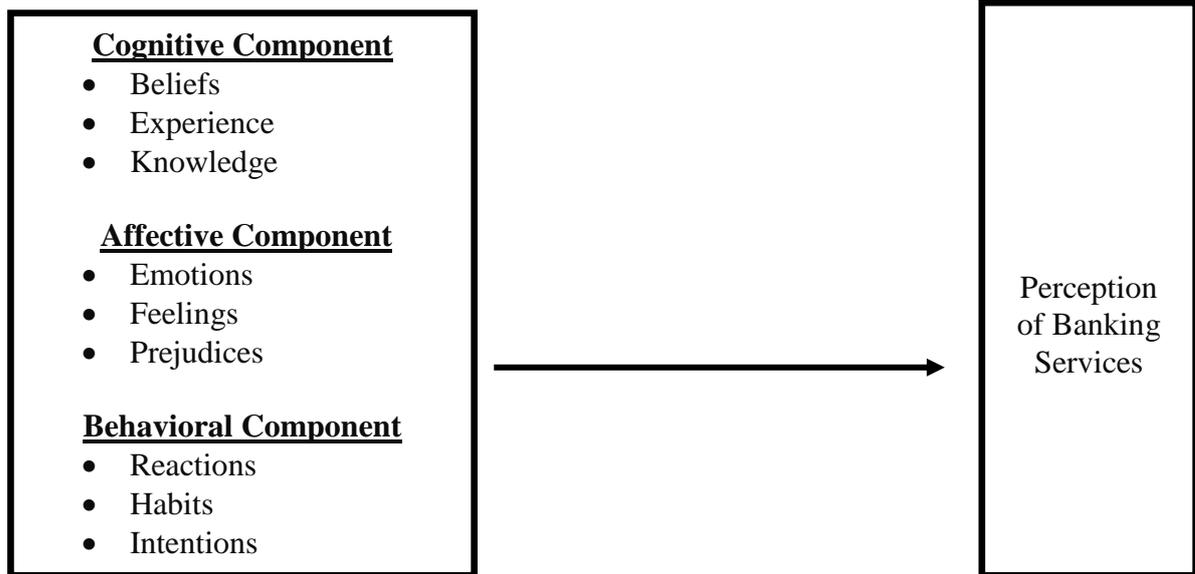
(b) Affective Component

Since the study is exploring another component about people's emotions, feelings and prejudices, some of the replies from respondents may provide the evidence of why people are not using banking services in the selected residential area.

(c) Behavioral Component

People's perception may coordinate with their reactions, habits and intentions when they decide to do something. It is quite important to know how unbanked people made decision not to use banking services in this study. And the results may expose at the end.

Figure (2.2): Perception of Banking Services



Source: Own Compilation

CHAPTER III

BANKING SECTOR IN MYANMAR

This chapter consists of history background of banking sector in Myanmar, banking sector in Myanmar, Myanmar banking crisis, current banking services in Myanmar, unbanked people in Myanmar and the way forward of banking sector in Myanmar.

3.1 Historical Background of Banking Sector in Myanmar

Bank is the most important part of any country and it does not create any money. Although no wealth is created by Bank, but its' essential activities facilitates the process of production, exchange and distribution of wealth. In this modern time, money and its necessity are very essential for the development of the country. A developed financial system of the country guides any country to attain economic development. The good developed financial system supports not only the economic and society but also the stability of a country. The modern banking system provides valuable services to a country. Therefore, a modern banking system is a vital role for the socio economic matters of the country (ICV, 2017).

Myanmar banking sector was initiated by the Act of Union Bank of Burma 1947. The Union Bank of Burma was established on 3rd April 1948 and took over the functions of the Yangon branches of the Reserve Bank of India but it did not have the full authority of a central bank. The Union Bank of Burma Act was enacted on 1st July 1952. In accordance with the Act, Burma Currency Board was abolished and the Union Bank of Burma Act, 1952, conferred on the Union Bank of Burma with all the usual functions of a central bank. It was transferred from the Burma Currency Board to the newly created Currency Department of the Union Bank of Burma with effect from 1st July, 1952 too. The Union Bank of Burma was launched at the corner of Merchant Road and Sule Pagoda Road and had a sole right of currency issue.

The Union Bank of Burma was established with an authorized capital of 40 million Kyats and a paid-up capital of 10 million Kyats by the Government. The People's Bank of the Union of Burma Act was enacted in 1967 and a monolithic bank, known as the People's Bank of the Union of Burma, was established in 1969, with the initial paid-up capital of 200 million Kyats that was fully contributed by the State.

After the socialist economic system in 1962 as implemented, all banks were nationalized in Myanmar. After reformed the administrative system in 1972, the Union Bank of Burma Law of 1975 was promulgated and the banking system was recognized. The name of the People's Bank of Union Bank of Burma became the Union of Burma Bank. Consequently, main four banks, namely the Union of Burma Bank, Myanma Economic Bank, Myanma Foreign Trade Bank and Myanma Agriculture Bank were emerged. Accordance with the 1975 Bank Law, initial paid-up capital of the Union Bank of Burma was 200 million Kyats that was fully contributed by the State.

Myanma economic system has been transformed from the planned economic system to market oriented system after 1988 in-country crisis. In order to develop the financial system which is in line with the market oriented by the Government, and to promote the efficiency of financial activities, the Central Bank of Myanmar Law was enacted in 2nd July 1990. The Central Bank of Myanmar was established with the paid-up capital of 500 million Kyats and of which 200 million Kyats were fully paid-up by the State.

According with the new government, was formed on March 30, 2011, Central Bank of Myanmar had to become independently to lay down the policies. Central Bank of Myanmar necessities to enact monetary policy independently to control the price stability in domestic market and to preserve the internal and external value of the Myanmar currency named as the "Kyat". According to the draft version of new law of Central Bank, Central Bank of Myanmar will set up with paid up capital of 300 Billion kyats and of which 100 billion kyats (CBM).

3.2 The Banking Sector in Myanmar

Improved access to finance is regarded as potential growth and also one of the means to reduce income inequality and poverty. A number of studies have found that countries with more developed formal financial systems drive faster declines in income inequality and poverty levels. Financial sector development makes two mutually reinforcing contributions: poverty reduction through its impact on economic growth by mobilizing savings and investing in the growth and productive sectors (Finance for growth) and through direct benefits in the poor being able to smooth consumption and protect from shocks to reduce their vulnerability and increase their income generating capacity, finance for all (MAP, 2014-2020).

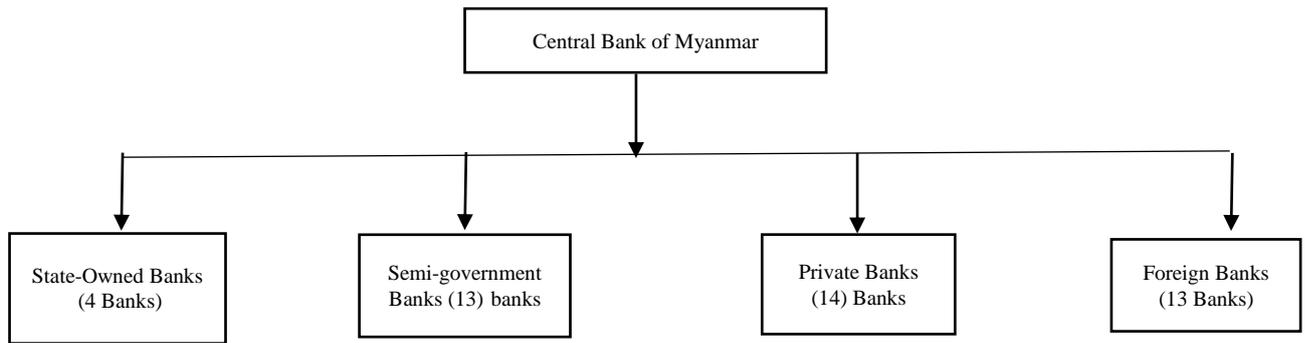
The total population of Myanmar is 53 Million by the year of 2017 in the total surface area 676,590 sq.km. The population growth by year 217 is 0.92% and GDP per capita, current USD 2017, is 1,299 USD and GDP growth is 6.37%. The Human Development Index becomes 0.578 / Rank 148. Financial inclusion is 25.61% of the population aged 15 years or older had an account at a formal financial institution in 2017; 6.6% of small firms had a bank loan or line of credit in 2016. Inflation forecast for 2018 is 6.2%.

Myanmar people and the country's economy were an era of harsh restrictions for almost five decades in the past by the international sanctions. Although private banks today are more prevalent, state-owned banks still play an important role, especially in terms of deposit mobilization and rural outreach in Myanmar. Private banks are the engines for innovation and growth in Myanmar's banking sector. However, most of the private banks are struggling to meet the new regulatory requirements.

The banks' strong demand gets high by country political and economic liberalization, the supporting infrastructure for Myanmar banks is evolving at a fast pace. This includes institutions such as the Myanmar Banks Association, the Myanmar Payment Union and the emerging Myanmar Credit Bureau Limited, as well as numerous training and education providers of banking in Myanmar.

The four state-owned banks of the country currently go through a reform process to improve the financial performance and re-focus the country's business strategies. Services of the banking sector in Myanmar are credit, overdrafts, collateral, loan product development, commercial and consumer loans and Small and Medium Enterprise (SME) Finance, Agriculture Finance, Trade Finance, Deposits, Remittances, Card Services and Mobile Financial Services. The Structure of Central Bank of Myanmar (CBM) can be seen as below in Figure (3.1) (GIZ report, 2018).

Figure 3.1 The Structure of Central Bank of Myanmar (CBM)



Source: GIZ report, 2018

The list of banks in Myanmar can also be seen in **Appendix A**.

3.3 Myanmar Banking Crisis

Banking crisis of Myanmar was a major bank run in private banking that hit Myanmar in February 2003. It started with a decline in the trust for private financial institutions following the collapse of small financial enterprises and proliferating rumors regarding to the liquidity of major private banks. Leading to a bank run on the Asia Wealth Bank, the crisis quickly spread to all major private banks in the country. It led to severe liquidity problems for the private banks and scarcity of the local currency and the crisis caused major economic hardship for Myanmar. In the mid of 2002, many informal finance enterprises in the country started to go under. The enterprises were not authorized deposit taking institutions under the Financial Institutions of Myanmar Law, but nevertheless accepted deposits by using the loophole of naming the depositors (Wikipedia).

Another source of rumors and distrust that laid on the origins of the 2003 crises was allegations of money laundering against Myanmar banks. In May 2002, Myanmar adopted the Law to Control Money and Property Obtained by Illegal Means. This law addressed many concerns of the US State Department and initially led to a flight of funds from banks in Myanmar. In fact, the situation got serious enough that the government had to assure the banks that they should not be threatened by the new law. Even though the flight of funds tended to decrease, rumors of large-scale withdrawals persisted. These rumors furthermore undermined the trust to the financial system and brought about fears regarding liquidity of the banks in the face of withdrawn funds (Wikipedia).

Fears about the private banks collapsing led to bank runs by customers to withdraw their funds. Starting with Asia Wealth Bank, the runs quickly spread to other private banks. With the withdrawal limits in place, and the other means of exchange used by banks such as cheques, remittance facilities, credit cards and electronic transfers of funds severely disrupted, the crises had harmful effects on the real economy. Though majority of the people in Myanmar did not have bank accounts, almost all businesses had and used these funds to pay their employees (Wikipedia).

3.4 Current Banking Services in Myanmar

According to the CBM, foreign banks will be allowed enter Myanmar in three phases. In the first phase joint ventures with local banks will be permitted. In the second foreign banks will be permitted to establish locally incorporated 100% foreign owned subsidiaries. In the third and final stage they will be permitted to open branches. (Charltons Myanmar) According to the above figure, it can see that 100% government owned four banks, 13 semi-government banks. The privately owned 14 banks, public listed banks and international banks are counted to 13 included in zero percent government banks (Myat Mon Mon Yee, 2017).

Under the guidance of the Central Bank of Myanmar, the banking industry promoted cash-less system to reduce risk for the people of Myanmar. 40 banks in Myanmar already receive Society for Worldwide Interbank Financial Telecommunication (SWIFT) codes. Myanmar Payment Union (MPU) was established by Myanmar banks to provide as national payment system switch for Myanmar.

MPU serves electronic support to Automated Teller Machine (ATM), Point of Sales (POS) terminal and mobile banking for cash-less payment. According to MPU annual report 2016, transactions are increasing after improving infrastructure for banking sector. Mobile financial services have become an important means for financial inclusion in Myanmar. Five major bank-led mobile banking services in Myanmar and some banks also have their own branded e-banking platforms.

Since the state government is encouraging the economic development, banking sector is becoming more competitive in developing more innovative products, such as online payment system, mobile banking and other related functions. Banks introduces a variety of ways to reach to the people including:-

1. Credit
2. Overdrafts
3. Collateral
4. Deposits
5. Remittances
6. Card Services
7. Commercial and Consumer Loans
8. SME Finance
9. Agricultural Finance
10. Trade Finance
11. Mobile Financial Services

Though banks are developing more easy products, Myanmar remains a predominately cash-based economy. The trust from people about banks are becoming narrow compared to last decades because people already suffered banking crisis and lost their property. Still, people wish to keep in cash in hand to secure the financial position (GIZ report, 2018).

3.5 The Unbanked People in Myanmar

With reference to the Millennium Development Goal (MDG) “develop further an open, rule-based, predictable, non-discriminatory trading and financial system”, all citizens have the right to access to financial services. Most of people in Myanmar keep the excess money in secret place at home or give someone whom they trust. They usually lend with interest those in need. People in need of cash borrow from friends or from family members. Money lenders provide cash and repay back with highest interest generally.

Based on the FinScope Study 2013, released in 2017, entailed that total adults population is 39 Million where 7 Million have bank accounts and 32 Million are unbanked which is 83% of adults in Myanmar. 20% of population of unbanked earn less than three hundred thousand kyats per month and 68% adults are in rural. 65% of adults completed basic education and 33% of adults’ income are from farming activities. 49% of male and 51% female are unbanked across the country.

Banks do not put effort to under the needs of people and produce products for the best suited. So, people are not completely perused to use banks and are not aware the advantage of using banks. Adults believe that having bank account or not do not hinder any in their daily lives. Most of the adults' incomes are insufficient after expenses so cannot maintain balance in the day-to-day lives and considered as do not require banks. Some people do not have national identity cards yet which is a main document for bank accounts. In addition, someone from household does not permit to have bank account (UNCD, 2013).

If banks promote mobile money services very quickly may reduce the significant gap of unbanked. But bank must guarantee the safeguarding the accounts and more in touch with clients to get financial literacy. Mobile operators are increasing infrastructure in Myanmar and the people of Myanmar are progressively using mobile devices. The only attempt to make less unbanked people is to extend mobile money services across the country with easy guidance from bankers.

3.6 The Way Forward of Banking Sector in Myanmar

Myanmar banking sector is a key driver for the growth of the country economy. Compared to the ASEAN countries, the contribution of Myanmar's banking sector to the economy is restricted. New Financial Institutions Law of Myanmar approved by January 2016 represents a major step forward and it acts as the governing law for both domestic and foreign financial institutions. It also aims to provide the basis for improving the sector over next twenty years and to play field between private and state owned banks, and endorses the CBM's regulatory powers over the banking sector.

State owned banks remain as important players though the recent trend showing a strengthening of private banks in Myanmar banking sector. However, state owned banks are still operating under the initial mandates, putting themselves in direct competition with private banks nevertheless state owned banks are significantly facing operational challenges such as limited capacity and lending practices and reliance issues.

Domestic commercial banks become clear to possess strength but they have very limited size of the overall banking market. Myanmar government opens foreign banks for the development of banking sector and it is noticeable impact on the overall market structure and is expected to result in more significant changes going forward.

The entry of the foreign banks provides urgently required capital for financing growth and foreign banks bring the best practices to the country. The new banking products can be introduced to the people and local banks can develop partnership with foreign banks for the development of the banking sector. Foreign banks are being restricted licenses and CBM has also limited the scope of permitted business and therefore to drive overall economic growth, it is essentially depended on the extent of the reforms and actions. With concentrated effort of all stakeholders, the domestic banking sector can build successfully in future.

Mobile money is a fintech service that enables money to be deposited and withdrawn using application downloaded to mobile phones. Mobile money wave is becoming quite popular in Myanmar. In this stage, banks are trying to promote the products only in urban and main cities but drop out people in rural area. Financial literacy in rural is so low and therefore banks need to promote “direct product delivery” to the people in rural area. Then, they become more educated in financial services and increase bank users in Myanmar.

There are many migrant people working in country or in abroad, they can send the money back very easily. Banks should catch the chance to obtain more market shares. In addition bank can extend partnership with foreign banks in outside of country or open more branches in other countries, people in Myanmar will get in touch with banks than ever. Mobile phone operators see an opening. They already have sales networks across the country and are now tapping into the mobile money market, which previously was led by startups.

The way forward of banking sector in Myanmar is to encourage unbanked to be banked through at least by online or mobile banking system in the future. Good banking governance and a robust risk management culture can help build the trust to further spur the growth of the country. Bank failures happened in the past and might happen again any time in the future. Therefore, to protect the overall stability of Myanmar’s banking system and to avoid contagion rule based measures should be employed to shield any particular risks.

CHAPTER IV

ANALYSIS OF PERCEPTION OF UNBANKED PEOPLE ON BANKING SERVICES

This chapter pertains survey design, demographic profile of the respondents, reliabilities test for survey, analysis on perception of unbanked people in banking services and summary of analysis.

4.1 Survey Design

In order to fulfill the objective of perception towards unbanked people on banking services, one of Cantonment Municipal area i.e. Ward No. (2) in Kamyut Township area was selected as a study area. This residential area in Kamyut Township was chosen due to population crowded and sub-urban area of Yangon. There are over 1,018 households resided in Ward (2) of Kamayut Township, difficult to choose the unbanked people in this area, Ward (2) was selected due to very high density of populated resided and most of the people are seemed to be unbanked. The survey was conducted by sampling asking respondents whether or not being unbanked and one respondent of each household was given a questionnaire and answer was recorded through face to face interview.

Any of respondents was chosen to explore structured questions in this study with random sampling. Based on the sample calculation, the number of conventional households in Ward (2) is 1,018 households and 30% of the households, equivalent to 300 households, were considered as the sample size. However, unpredictable number of households who are mixed with banked and unbanked in the selected study area, the sample size of total unbanked to this study is considered as 200 households after excluding the banked households. The study was commenced on 27th November 2018 till 2^h December 2018 for a week. Survey group consisted of thesis applicant of present study who acted as coordinator and the rest two members were trained to conduct the right answers. Then, the answers were analyzed by both manual cross tabulation and SPSS software were completed at the mid of December 2018. Findings from data results were shown in respective tabular form and interpreted accordingly. This study used descriptive method.

The respondents were asked to rate the statements by choosing one of the five-point Likert Scale (1: Absolutely Disagree, 2: Disagree, 3: Neither Disagree or Agree, 4: Agree and 5: Absolutely Agree). The respondents answered were ranked from 1 to 5. The

translation of level ranking was analyzed follow exterior of respondents perception designed by Best (1977:174).

1. The score among 1.0 – 1.8 means lowest perception
2. The score among 1.81 – 2.61 means low perception
3. The score among 2.62 – 3.41 means average perception
4. The score among 3.41 – 4.21 means high perception
5. The score among 4.22 – 5.0 means highest perception.

According to this assumption, perception of unbanked people towards banking services is analyzed by each component in this study.

4.2 Demographic Profile of the Respondents

Consumer perception are influenced by personal characteristics such as age, education, occupation and income status, life style, preferences, personality, and behavior. Thus, the study analysis is based on the 200 households who are being unbanked in Ward (2) Kamayut Township by examining sex, education, occupation and income status.

4.2.1 Gender Distribution of Respondents

The survey was carried out with two third of female and one third of male in the study area. The result found that unbanked people’s perception is mostly related to female who may guide not use banking services.

Table (4.1) Respondents’ Gender Distribution

Gender	No. of Respondents	Percent
Female	120	60
Male	80	40
Total	200	100

Source: Survey Data, 2018

4.2.2 Educational Distribution of Respondents

The respondents’ educational were classified into four categories including “read and write”, “primary education”, “middle education”, “higher education” and “graduates and others”. Table (4.2) shows the frequency distribution by educational level.

Table (4.2) Educational Distribution of Respondents

Education	No. of Respondents	Percent
Primary Education	12	6.0
Middle Education	50	25.0
Higher Education	76	38.0
Graduates and Others	62	31.0
Total	200	100

Source: Survey Data, 2018

In this study, 31 % was graduate, 38% was higher education, 25 % was middle education and 6% was primary education. Therefore, the study population was covered with middle education residents. The corporation to this survey was satisfactory except a few people so that education coverage of selected residential area was fairly good.

4.2.3 Occupational Distribution of Respondents

The occupational status of respondents are classified into “general worker, “self-employed”, “employee”, “government Staff” and “other” and the results are shown in Table (4.3).

Table (4.3) Respondents’ Occupational Distribution

Occupation	No. of Respondents	Percent
General Worker	9	4.5
Self-Employed	78	39.0
Employee	87	43.5
Other	16	8.0
Government Staff	10	5.0
Total	200	100

Source: Survey Data, 2018

Occupational distribution analysis showed the highest 43.5 % was employee, 39 % was self-employed, 8% was others, 5% represented as government staff and 5 % was general worker who reside in this study area with their relatives, 5% was government servants and remaining 4.5 % was general worker. The analysis showed those major portions of approximately 40% of respondents are self-employed and employee.

4.2.4 Income Distribution of Respondents

Banks provides different services however in this analysis will seek the income level of unbanked perception by five groups. Below 45,000 MMK, between 45,000 to 120,000 MMK, between 120,001 to 300,000 MMK, between 300,001 to 700,000 MMK and above 700,000 MMK. The results are provided in Table (4.4).

Table (4.4) Respondents' Income Distribution

Monthly Income (Kyats)	No. of Respondents	Percent
45,0000 to 120,000	2	1
120,001 to 300,000	73	36.5
300,001 to 700,000	95	47.5
Above 700,000	30	15
Total	200	100

Source: Survey Data, 2018

Income distribution analysis showed that the lowest 1% received between just above poverty line and minimum wage salary. 36.5 % was between minimum wage and 300,000 MMK, the highest income group was 47.5 % received between 300,001 to 700,000 MMK, the second lowest group was 15 % received above 700,000 MMK.

4.3 Reliabilities Test for Survey

Reliabilities Test measures of internal consistency, also called as reliability. It is used in multiple Likert questions in this study to determine the scale is reliable. Internal consistency is usually measured with Cronbach's alpha which is a statistic calculated from the pairwise correlations between items in set are positively correlated to one other. It ranges between negative infinity to one.

Reliability test based on Cronbach alpha is shown in Table (4.6) for the four components in this study.

Table (4.5) Summary of Reliability Test for Each Component

No.	Component	Cronbach's Alpha	No. of Items
1	Cognitive Component (Beliefs, Knowledge and Experience) towards Perception	0.691	9
2	Affective Component (Emotion, Feelings and Prejudices) towards Perception	0.730	9
3	Behavioral Component (Reaction and Habits) towards Perception	0.767	5
4.	Overall Perception	0.730	5

Source: Survey Data, 2018

Reliabilities analysis showed some of the components' alpha values are closer to higher and others are higher than the cut-off value 7, indicating that the data in this study is reliable.

4.4 Analysis of Perception of Unbanked People on Banking Services

Perception of unbanked on banking services are examined in four components in this study i.e cognitive component, affective component, behavior component and demographic component.

4.4.1 Cognitive Component

Perception on cognitive component was explored to the respondents in banking products and services regarding to their beliefs, knowledge and experience are shown in Table (4.6). Mean scores to this component stood above average value 3.

Table (4.6) Cognitive Component

No.	Statement	Mean	Standard Deviation
1	I believe keeping money at home is safer.	4.15	0.68
2	I do not trust banks because I was heard about bank crisis in the past.	3.32	0.47
3	I will establish a small business rather than saving at bank if I have some extra cash.	3.81	0.52
4	I never try to ask how the bank works.	4.69	0.56
5	I have been to some of the private banks but never try to open bank account.	4.27	0.44
6	Though I have seen some of commercials and pamphlets, but I am not interested to read thoroughly to understand better.	4.69	0.56
7	I always feel intimidated about coming into a bank.	3.34	1.03
8	Bank hours are inconvenient.	3.59	0.60
9	Bank account fees are unpredictable.	4.82	0.52
	Overall Mean	4.07	

Source: Survey Data, 2018

It is found that most of the people still believe that keeping money at home is safer by reflecting its' mean score is 4.15. And the scored of 3.32 reflects the respondents still have there will be bank crisis in future based on the past experience and information. The scored ranked 3.81 to those to run an own small business rather than saving at bank. The respondents still have the traditional thoughts from old generation.

In addition to that, the mean score is 4.69 for the most of the people had been to private and state-owned banks but did not ask how the bank works. It showed that even there were chances about banks but there is less willingness to know about bank.

In relation to the statement of never try to ask how the bank works and statement of though some of them been to private banks but never try to open bank account scored 4.27 that the respondents did not try to know about bank and did not try to open a bank account. Consequently, even there were changes about banks through commercials, pamphlets, not interested about banks in the statement scored at 4.686.

However, some of the respondents replied that feel intimidated coming into the bank by the score 3.34. The mean score of 3.59 about bank hours are inconvenient. It is assumed that some of the respondents expects longer banking hours or to open at weekends. The statement of accounts fees are unpredictable with its mean score 4.82. It means that bank charges are assumed to be consistent but in reality it may change based on type of transaction or destination or amount. It has the highest score among nine statements regarding to beliefs, knowledge and experience of respondents.

4.4.2 Affective Component

The affective component measures the perception of unbanked people regarding to emotions, feeling and prejudices in this study. The mean values are analyzed and are shown in Table (4.7).

Table (4.7) Affective Component

No.	Component	Mean	Standard Deviation
1	I feel small seeing the rich-people at bank.	4.21	1.33
2	I feel reluctant because staff at bank may look down on me for saving very small amount.	3.50	0.94
3	I am illiterate to financial languages.	4.79	0.63
4	I know that it is better to save at bank for security reason but interest rate is low for saving.	4.94	0.25
5	I am not sure bank will keep my financial information.	4.94	0.25
6	It would be difficult when I withdraw bank at the time of bank crisis.	4.94	0.25
7	Cash is considered as real money.	4.94	0.25
8	Cash payment satisfied both parties.	4.94	0.25
9	I have seen that some of ATMs are frequently out of order and have insufficient cash to withdraw.	4.94	0.25
	Overall Mean	4.68	

Source: Survey Data, 2018

According to Table (4.7), the mean values of respondents agreement level that respondents feel small seeing rich people at bank is 4.21 and feel reluctant to communicate with staff at bank is 3.5 because people worry for look down to them. The agreement level of financial illiterate to banking is 4.79. It showed that the respondent's emotion about their current financial position status may reflect higher level of perception of not using banking services including financial literacy about banking.

The mean values of respondents' level of perception towards feeling are highest level of agreement. Agreement level of people perception about low interest rate is 4.94. It means that if they invest or lend to others may be better than saving at bank. The mean value of level of perception about leaking personal financial information by bank is 4.94 as well. The result assumes that people unconfident toward level of keeping financial information at bank.

Moreover, respondents worry too much about time of bank crisis. By that time they worry to get back the money keep at bank. The agreement level of man value is the highest 4.94.

The mean values of respondents' level of perception towards prejudices are highest level of agreement too. The respondents prefer to use cash since it can be seen as real money in hand. The mean value is of 4.94 and the same score goes to the respondents are still being satisfied about cash in receiving or paying in any mode of exchanges.

The overall mean value of affective component in banking services is 4.68. Therefore it can be concluded that emotions, feeling and prejudices in banking services gets highest for unbanked.

4.4.3 Behavioral Component

The behavior component measures the perception of unbanked people regarding to habits and reactions in this study. The result of mean scores represented the real behavior of respondents in selected area. The mean values are analyzed and are shown in Table (4.8).

Table (4.8) Behavioral Component

No.	Component	Mean	Standard Deviation
1	My income is not sufficient to keep the minimum balance during a month.	4.34	1.24
2	I had account problems.	4.70	1.06
3	I need permission of someone else to open it.	2.66	0.98
4	I have no saving habit.	2.84	0.37
5	I only use some amount of my income for myself and the remaining amount given to the family expenses.	4.86	0.51
	Overall Mean	3.88	

Source: Survey Data, 2018

With reference to Table (4.8), the mean value of the very first statement of this component is 4.33 for income inefficient to keep minimum balance during the month though the second highest level of income group, 47.5% of the respondents, received up to 700,000 MMK. It is interpreted that living cost in Yangon is high and therefore the respondent are not able to main some balance during the month.

The mean value showed as of 4.70 for the respondents had problems with bank products or bank services. It means that the respondents had some bad experiences with banking products or services and as a result of that they no longer use any banking products or services up to now. However, the mean score about to get permission for opening bank account has average perception regarding to its score 2.66. Some of the respondents need to get permission from family members.

Some people do not have saving habit and it is endorsed by mean value as average score of 2.84. Nevertheless, most of the respondents shared the income with family members in selected study area. The mean score is 4.86 and assumed that cost of living in urban against the family size and income is unbalanced and the perception of using banking services and products are in not their choice yet.

The overall mean value is 3.88 for behavioral component for perception of unbanked people in the study area. It is concluded that perception gets high being unbanked due to income, communication with bank and living costs.

4.4.4 Overall Perception of Respondents about Banking

In order to see the overall perception of respondents towards banking services and products, those are set out in questionnaire additionally. As regard the perception of respondents being unbanked, the study is analyzed by mean scored to overall perception in Table (4.9).

Table (4.9) Overall Perception of Respondent about Banks

No.	Perception	Mean	Standard Deviation
1	I do not need to have bank account in my life.	2.84	0.54
2	The interest rate provided by bank is not attractive for me.	4.94	0.25
3	I can get the same services needed elsewhere in the community.	4.94	0.25
4	I do not understand benefits from having a bank account.	2.09	0.71
5	I shall not use banking services until I understand about the bank.	4.87	0.49
	Overall Mean	3.933	

Source: Survey Data, 2018

According to the result, the mean value is 2.84 ranked for those as average perception about they can live without bank account. It is determined that the decision may be associated more likely related to income level. The mean value of interest rate is 4.94 which has got the highest level of perception that they are not really perceived of interest rate at bank. Similarly, more likely the same services such as lending or borrowing money, money transfer or remittances can also get in somewhere else including friends, relatives or colleagues. Its mean value is 4.94.

The low level of score is 2.09 of its mean value for potential use of banks. It means and the respondents though living in sub-urban area have very are not really interested in banking and potentially they might use when they get to know about bank their own motivation. And the last mean value is 4.87 which is the highest score in the level of agreement. It is concluded that some of the respondents seemed ignored banking services because they have no willing to get benefits from bank.

4.5 Summary of Analysis

The study is found out the residents are populated with employee. 60% of female and 40% of male were interviewed. Survey results were collected from any of representative who was available to this study. This study is to discover how sub-urban people perceived to being unbanked.

Table (4.11) Overall Mean Score of Components towards Perception

No	Component	Mean
1	Cognitive	4.07
2	Affective	4.68
3	Behavioral	3.88
4	Overall perception	3.93

Source: Survey Data, 2018

With reference to Table (4.11), in the comparative analysis of the five components such as cognitive, affective, behavioral, demographic and overall perception, affective mean score is the highest at 4.68. It is concluded that people's emotions, feelings and prejudices strongly influences not using banking services. Secondly, the high perception for cognitive is 4.07. It is also determined that beliefs, knowledge and experience are influenced for being unbanked. The other component such as behavioral is of 3.88 which has high perception and it is resulted that reactions and habits imposed for people perception and overall perception is high as of its mean value 3.93 and the average perception of demographic is 3.32 which is education, occupation and income level caused some level of being unbanked.

Most of residents in selected residential area believe that keeping money at home is better because they do not trust banks since some of them had experienced about bank crisis in Myanmar in the past and some of them heard about it through the community. Some people plan to run a small own business in future or if they have extra saving from their income.

Consequently, they are not interested in getting a bank account and therefore never asked. More surprisingly, even they had seen some commercials and some pamphlets about banks and their services and products, they did not read carefully or interested about them. In addition to these situations, some of the respondents are still intimidated about going to bank. And some of them are not convenience about banking hours, days and bank charges. Its overall score is 4.07. However, according to regression analysis, people's cognitive is not influenced to people being unbanked.

The overall score of affective component of respondents' perception towards unbanked is 4.68. Some of the respondents feel small seeing the rich at bank occasionally and some may feel about staff may look down if they regularly save very small amount at bank. The prominent barrier for them is financial language because most of the documents are written in English which they do not mostly understand.

Accordingly, since the respondents have barrier to written language on documents, they are not sure whether or not bank will keep the individual information and not leak by any reasons. Additional reason of being unbanked is interest rate is lower and given at three months' time not on monthly basis. Thus, most of them perceived that cash is better and satisfied by any mode of payments or receipts. This decision becomes stronger by seeing people are stuck at ATMs at banks mostly at weekends or long government holidays or even at weekdays.

Respondents' behavior overall score is 3.88; it is ranked at high perception, of respondents in this study. It is naturally perceived that income is insufficient to keep some balances in every month. Some respondents accidentally had some difficulties with banking services. In contrast, some people do not have saving habit because most of their income is shared with family expenses. Some people need someone else's in the family's permission about using bank.

The last analysis is about overall perception its mean score is 3.93 at the highest. Some people think they do not need any bank products and services based on their present conditions including not understand about benefits of bank. The perception on interest rate feels that low compared to market. But there is a good potential to use bank and services when they understand about bank and its products.

CHAPTER V

CONCLUSION

The chapter will present findings, recommendations and needs for further study based on this study. The chapter will present the current condition of unbanked people's perception and which will be the source reference for banking sector in Myanmar to march faster for the banking sector development.

5.1 Findings

The survey was conducted with one representative from each family. 200 households were selected to carry out for the survey. The main objective of the study was to examine the perception of unbanked people on banking services.

Concerning of analysis on the perception of unbanked people, the study explored the influencing factors relating to banking services and products. According to the main four types of components such as cognitive, affective, behavioral and demographic factors, the following results are found.

According to the cognitive component, most of the respondents prefer to keep their money at bank at the high perception. Average level of perception of respondents do not trust banks due to possibility bank crisis in Myanmar happened in the. Some respondents with high perception are willing to run a small own business by any chance. Some of the respondents have no willing to know how the bank works and neglected to ask even how to open a bank account. Remarkably, people with higher perception are not strongly interested in getting banking services through commercials and some pamphlets. The high level of perception about being intimidated going to bank and not convenience about banking hours, working days and transaction fees.

The perception of affective component of respondents towards unbanked is the highest. Naturally, the poor feels small when they compared themselves with the rich. The high perception to this feeling small of the poor is still valid and the same feeling goes to bank staff that may look down when they save very small amount at their bank account. The highest level of perception against financial language is still a problem because most of the documents used at bank are written in English and difficult to read for own understanding. The respondent perceptions safeguarding money would be at bank however interest rate given by bank is lower and on monthly basis. The highest

perceptions of respondents being unbanked are withdrawal during bank crisis; cash is still a King and pleased by any mode of payments or receipts. This perception come to be stronger by seeing people are trapped at ATMs generally at weekends or long government holidays or even at weekdays.

Insufficient income of people stood at highest level of perception to retain a certain balance in every month. Obviously, some respondents accidentally had complications with banking services is significantly highest. In the other way, average level of perception level showed that some people do not practice saving habit but highest perception entailed that the income might use for other purchases and shared with family for living costs. Some people need permission about banks at the average level of perception.

Overall perception is high for being unbanked. The result is mainly reflected from interest rate calculation. It is concluded that people have to accept the amount calculated from bank without knowing the actual calculation based on the balance at the account. And people perceived that the similar services can be attained at the surroundings nearby. The low level of people are not widely known about benefits of having a bank account but highest level of people may use bank services when they know thoroughly understood about banking services.

5.2 Recommendations

The unbanked people perceptions can be resulted in this study. In this regard some recommendations are stated as follows:

Perceived by Cognitive Component is really important. Banks need to educate to use banking services by directly communicated about the risks associated with keeping money at home. Bank should meet with the gaps which are being unbanked, the potential clients of bank users to applaud them by opening bank account at least. That shall be encouraging people introducing with banking facilities. There is a fear in people's heart about losing money at the time of bank crisis. This is the role of Central Bank to raise confident about banks among public. Making investment is a good potential for country development but those always could link with bank to march the better outcome. Banks should adapt to meet the customer requirements to open at longer or at weekends.

Affective Component is a factor about being unbanked. Banks documents shall be written in local language or in bi-language with English. That will inspire people and make them more confident for any words in the documents. Since the country is moving to digital age, banks shall approach people to explain more about using online banking and its benefits including better than carrying heavy and dirty cash along with and how to check the balance at the mobile. Again this stage needs to remove language barrier as well. But banks should fix the problems of ATM services because in reality the existing clients have been experiencing that most of the ATM machines are out of order, out of sufficient cash, not recognize the card and so on.

Behavior component influenced unbanked situation. In this regard, banks need to strengthen the level of customer satisfaction about products and services. The bank shall appoint and built staff capacity to fulfill customer requirements. This will yield the positive of quality of banking services. Banks should explain that only having national identity is required and every one can use their services. Because people believed that using bank is not for them and ignored being the member of banking community.

Thus, the study found that, it is better that banks should reach out their hands to public to introduce about how people can benefit from banks. Way of digital commercial is a good way to pursue clients but if the people are not really understood what is the real message. The digital communication should give clear message for target low income group level. If the target only aims at certain high level, banking sector may still sleep on the gap of the people.

The study also suggests that banks should engage more with grass-root level of people because it will remove barriers between bank and public and increase market share. Banks shall introduce the best products learned across worldwide. That will introduce Myanmar people with new experience and promoting financial literacy.

People of Myanmar are increasingly using mobile devices and they soon be quite familiar with digital know-how at somewhat level. Though the banking sector is moving to international standards, they are working in Myanmar to promote services and selling their products. In this regard, to have a concrete foundation of banked population, banks documents in hard or soft could be in local language for all people in Myanmar to understand clearly all the financial terms.

Capacity Building not only to staff but also to community is a most important matter to promote banking sector. Most of the people, especially older people, in Myanmar are financial illiterate. Banking sector of Myanmar should think of way forward for the development of Myanmar by understanding of basis banking needs.

5.3 Needs for Further Study

The study suggest that perception about unbanked has been studied since MBF Batch 2, however, it is suggested to explore about this with a wide sample size and new scope could be “underbanked”. Though it has been studied for quite a few times, it may not be sufficient to get the definite reasons of unbanked people.

Underbanked is the population may have checking or savings accounts, but often access less traditional financial products and services, such as short-term payday loans and check cashing services.

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List of banks in Myanmar

State-Owned Banks	Semi-Government Banks	Private Banks	Foreign Banks
1. Myanmar Agricultural Development Bank	1. Construction and Housing Development Bank	1. Ayeyarwaddy Farmers Development Bank	1. Australia and New Zealand Banking Group Limited
2. Myanmar Economic Bank	2. Global Treasure Bank (former Myanmar Livestock and Fisheries Development Bank Ltd)	2. Asia Green Development Bank Ltd	2. Bangkok Bank Public Company Limited
3. Myanmar Foreign Trade Bank	3. Innwa Bank Ltd	3. Asia-Yangon Bank Ltd	3. E.Sun Commercial Bank Limited
4. Myanmar Investment and Commercial Bank	4. Myanmar Citizens Bank Ltd	4. Ayeyarwady Bank Ltd	4. Industrial and Commercial Bank of China
	5. Myawaddy Bank Ltd	5. Co-operative Bank Ltd (CB Bank)	5. Malayan Banking Berhad (Maybank)
	6. Naypyitaw Sabin Bank	6. First Private Bank Ltd	6. Mizuho Bank Limited
	7. Rural Development Bank Ltd	7. Kanbawza Bank Ltd	7. Oversea-Chinese Banking Corporation Ltd
	8. Small & Medium Industrial Development Bank Ltd	8. Myanmar Apex Bank Ltd	8. Sumitomo Mitsui Banking Corporation
	9. Yadanabon Bank Ltd	9. Myanmar Microfinance Bank Limited	9. Shinhan Bank
	10. Yangon City Bank Ltd	10. Myanmar Oriental Bank Ltd	10. State Bank Of India
	11. Glory Farma Development Bank (G Bank)	11. Shwe Rural and Urban Development Bank	11. The Bank of Tokyo-Mitsubishi UFJ, Ltd
	12. Mineral Development Bank	12. Tun Foundation Bank Ltd	12. The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)
	13. Myanmar Tourism Bank	13. United Amara Bank Ltd	13. United Overseas Bank Limited
		14. Yoma Bank Ltd	

Source: GIZ Report, 2018

QUESTIONNAIRE
Perception of Unbanked People on Banking Services
Part A
Demographic Characteristics

- 1.Age -----
- 2.Sex -----
- 3.Education -----
 - a) Read or Write -----
 - b) Primary Education -----
 - c) Secondary Education -----
 - d) Higher Education -----
 - e) Graduates -----
- 4. Marital Status -----
 - a) Single -----
 - b) Married -----
 - c) Divorced -----
 - d) Widow (or) Widower -----
 - e) Separated -----
- 5. No. of Children -----
- 6. Children Age -----
- 7. No. of family members -----
- 8. Your position in the family -----
- 9.Occupation -----
 - a) General Worker -----
 - b) Self-Employed -----
 - c) Employee -----
 - d) Government Staff -----
 - e) Others (Please specify) -----
- 10. Monthly Income -----
 - a) Up to 45,000 -----
 - b) MMK 45,001 – 120,000 -----
 - c) MMK 120,001 – 300,000 -----
 - d) MMK 300,001 – 700,000 -----
 - e) MMK 700,001 – Above -----

	Cognitive Component	Absolutely Disagree	Disagree	Neither Agree nor Disagree	Agree	Absolutely Agree
	Knowledge	1	2	3	4	5
1	I never try to ask how the bank works.					
	Beliefs					
1	I believe keeping money at home is safer.					
2	I do not trust banks because I was heard about bank crisis in the past.					
3	I will establish a small business rather than saving at bank if I have some extra cash.					
	Experience					
1	I have been to some of the private banks but never try to open bank account.					
2	Though I have seen some of commercials and pamphlets, but I am not interested to read thoroughly to understand better.					
3	I always feel intimidated about coming into a bank.					
4	Bank hours are inconvenient.					
5	Bank account fees are unpredictable.					

	Affective Component	Absolutely Disagree	Disagree	Neither Agree nor Disagree	Agree	Absolutely Agree
	Emotions	1	2	3	4	5
1	I feel small seeing the rich-people at bank.					
2	I feel reluctant because staff at bank may look down on me for saving very small amount.					
3	I am illiterate to financial languages.					
	Feelings					
1	I know that it is better to save at bank for security reason but interest rate is low for saving.					
2	I am not sure bank will keep my financial information.					
3	It would be difficult when I withdraw bank at the time of bank crisis.					
	Prejudices					
1	Cash is considered as real money.					
2	Cash payment satisfied both parties.					
3	I have seen that some of ATMs are frequently out of order and have insufficient cash to withdraw.					

	Behavior Component	Absolutely Disagree	Disagree	Neither Agree nor Disagree	Agree	Absolutely Agree
	Reactions	1	2	3	4	5
1	My income is not sufficient to keep the minimum balance during a month.					
2	I had some problems with banking services.					
3	I need permission of someone else to open it.					
	Habits					
1	I have no saving habit.					
2	I only use some amount of my income for myself and the remaining amount given to the family expenses.					
	Overall Perception					
1	I can live without bank account in my life time.					
2	Interest rate receive from bank is not attractive for me.					
3	I can get the same services in elsewhere.					
4	When I clearly know about banking services, I may use banks.					
5	I do not need benefits from using bank.					