11-10-2014

An Emerging Market: A Grounded Theory Analysis of Underserviced Consumers within the U.S. Banking Subsector of the Financial Services Industry

Rebecca Staunton
Georgia State University

PERMISSION TO BORROW

NOTICE TO BORROWERS

All dissertations deposited in the Georgia State University Library must be used only in accordance with the stipulations prescribed by the author in the preceding statement.

The author of this dissertation is:

REBECCA STAUNTON
360 SOUTH MARKET STREET, UNIT 1301
SAN JOSE, CA 95113

The director of this dissertation is:

RICHARD BASKERVILLE
ROBINSON COLLEGE OF BUSINESS
35 BROAD STREET NW
ATLANTA, GA 30303

AN EMERGING MARKET: A GROUNDED THEORY ANALYSIS OF UNDERSERVICED CONSUMERS WITHIN THE U.S. BANKING SUBSECTOR OF THE FINANCIAL SERVICES INDUSTRY

BY

REBECCA STAUNTON

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Executive Doctorate in Business

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2014

ACCEPTANCE

This dissertation was prepared under the direction of the *STUDENT'S NAME* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Executive Doctorate in Business in the J. Mack Robinson College of Business of Georgia State University.

Richard Phillips, Dean

DISSERTATION COMMITTEE

Dr. Richard Baskerville (Chair)
Dr. Felix Rioja
Dr. Wesley Johnston

ACKNOWLEDGEMENTS

I would never have been able to finish my dissertation without my *dream team dissertation committee*. *Dream team*, in the context of their expertise synergistically guiding this work.

I would like to express my deepest gratitude to my advisor, Dr. Richard Baskerville, for sharing his brilliance within the area of qualitative research. His guidance and patience provided me with an excellent atmosphere for steady productivity as evidenced by the end product. I would also like to thank Dr. Wesley Johnston, for sharing his brilliance within the area of marketing research and relationship marketing. And, I would also like to sincerely thank Dr. Felix Rioja, for sharing his brilliance within the area of economics, including his knowledge of emerging economies. I am very thankful to have been guided by them all.

I would like to thank the numerous confidential interview participants who provided their industry subject matter expertise and critical insight into a topic that has many baffled as to its market emergence. They made this research possible. Their trust and time are greatly valued.

And finally, a special thanks to Aaron Lee.

DEDICATION

I dedicate my dissertation work to GOD first and foremost. As a Christian, I would have never completed this without holding onto Philippians 4:13 (amplified version) which says, I have strength for all things in Christ Who empowers me [I am ready for anything and equal to anything through Him Who infuses inner strength into me; I am self-sufficient in Christ's sufficiency].

I also dedicate my dissertation work to my family with a special dedication my mother, Nancy Withers Staunton (10/13/45 – 01/10/89). She was a pioneer in her own right who was always a pillar of strength to instill the encouragement that, "we are the best investment we have and that, education is a tool to be used wisely that, can take you places you never thought you would go." This is for you Mom.

I also dedicate this dissertation work to my best of best friends, Dr. Roy Lee Humphrey (11/18/32-02/18/12) who passed away during the second year of the program, yet remained my biggest fan even to the end encouraging me to finish. This is for you Pop.

Finally, I dedicate this dissertation work to the ones who think they may not have what it takes to become a doctor as I was also there once.

ABSTRACT

AN EMERGING MARKET: A GROUNDED THEORY ANALYSIS OF UNDERSERVICED CONSUMERS WITHIN THE U.S. BANKING SUBSECTOR OF THE FINANCIAL SERVICES INDUSTRY

BY

REBECCA STAUNTON

November 15, 2014

Committee Chair: Richard Baskerville

Major Academic Unit: Robinson College of Business

This research is empirical and exploratory in nature. It examines the *emergence* of a market of underserviced consumers within the U.S. banking subsector of the financial services industry. The aim of this research is to introduce *generalizable sociological theory* that explains the formation of an underserviced consumer market. This new social theory called *Underserviced Consumer Market Formation Theory (UCMFT)* is then applied to the U.S. banking subsector of the financial services industry in order to address the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry? In addition to introducing UCMFT to academia, other contributions to knowledge have materialized as a means of explaining this phenomenon and answering the research question of this study. These additional contributions to knowledge are: introducing the term *underserviced consumer within the U.S. banking subsector of the financial services industry* and introducing a theoretically based explanatory model specific to this subject matter of this research termed *the model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry*. Positioning UCMFT for future research and generalizability includes clearly defining the industry being studied, clearly defining the term *underserviced consumers* in the context of the industry being studied, and empirically identifying and linking the unique psychosocial characteristics to the predominant consumers (buyers) within the industry being studied or encompassed by the research. Potential industries that could be included for future research grounding in UCMFT are healthcare, technology, telecommunications, education, as well as other subsectors within the financial services industry. Overall, the empirical findings support the creation of the theory and its applicability to the U.S. banking subsector of the financial services industry as scoped for this research.

TABLE OF CONTENTS

LIST OF ILLUSTRATIONS AND TABLES

GLOSSARY OF TERMS AND ABBREVIATIONS

1. *Alternative financial services* (AFS) is a term often used to describe the array of financial services offered by providers that operate outside of federally insured banks and thrifts (hereafter referred to as *banks*). Check-cashing outlets, money transmitters, car title lenders, payday loan stores, pawnshops, and rent-to-own stores are all considered AFS providers. However, many of the products and services they provide are not *alternative*; rather, they are the same as or similar to those offered by banks. AFS comprise two general categories of products and services: those that are transactional and those that are related to credit.
2. *Alternative financial services providers* (AFSP) are providers of alternative financial services (AFS).
3. *Auto title loans* have closed-end credit, with a term of 181 days or fewer, and they are secured by the title to a motor vehicle that has been registered for use on public roads and is owned by the covered borrower (other than a purchase money transaction). Auto title lending is similar to pawn lending, except that title lenders make short-term loans that are secured by clear car titles. Interest rates on title loans are restricted in many states. The industry is fractured and limited largely to small, privately held companies.
4. *Balance-of-payment* (BOP) is, as defined by the U.S. Bureau of Economic Analysis (BEA), as a statistical summary of international transactions. These transactions are defined as the transfer of ownership of something that has an economic value measurable in monetary terms from residents of one country to residents of another. The transfer may involve (1) goods, which consist of tangible and visible commodities or products; (2) services, which consist of intangible commodities that are produced, transferred, and consumed at the same time; (3) income (which is sometimes classified in *services*); and (4) financial claims on, and liabilities

to, the rest of the world, including changes in a country's reserve assets held by the central monetary authorities. In general, the balance of payments classification system is designed to group together transactions that respond to similar economic influences and show similar patterns of behavior. International transactions are grouped into four major categories: goods, services (including income), unilateral transfers, and capital flows. Goods, services, and unilateral transfers constitute the current account. Capital flows, which consist of changes in U.S. assets abroad and foreign assets in the United States, constitute the capital account.

5. *Banked but underbanked status unknown* is a term for households that have a checking or a savings account but their underbanked status could not be assessed because of missing data.
6. *Buy-Here-Pay-Here Auto Financing* (BHPH) is a form of auto financing, generally for credit-impaired borrowers, that is similar to the RTO business. With BHPH, the dealer finances the sale of a used car and usually requires the borrower to return to the dealership weekly or biweekly to make payments. BHPH is a fractured industry with few large or publicly traded participants, making it difficult to estimate transaction volume.
7. *Capital account* (CA) is, as defined by the U.S. BEA, the capital account measures transactions in financial assets between residents and nonresidents. These assets may be exchanged for real resources or other financial assets, or they may represent the offsets to unilateral transfers. Financial assets encompass international claims payable in money, such as loans, bank deposits, drafts, acceptances, notes, government and private debt and equity securities, and intercompany accounts. In the case of direct investment abroad by U.S. residents or in the United States by foreign residents, the physical or real assets held for the

production of income are considered financial claims on the country in which the asset is located.

8. *Cash economy* is a type of economic system, sometimes referred to as part of an *underground economy* in which financial transactions, including the purchasing of goods and services, are carried out in cash.
9. *The Center For Financial Services Innovation*[1] (CFSI) (CFSI) is a nonprofit financial services consultancy headquartered in Chicago, specializing in serving unbanked and underbanked consumers. An affiliate of Shore Bank Corporation, CFSI grew out of a research project conducted in 2002 by a division of Shore Bank on behalf of the Ford Foundation to examine the gap between supply and demand of financial services for low-income consumers as well as potential strategies to close it.
10. *Closed loop retail agreements* are also known as layaway plans and can be contracted only at locations belonging to the issuer or other limited locations, and they are considered a way to facilitate payments rather than generate fees. Layaway plans are a purchasing method that allows a consumer to put a product on hold by placing a deposit on the item. Layaway allows the customer to make smaller payments on the product until the purchase price is paid in full, rather than paying for the item with credit and adding interest to the cost. A layaway plan ensures that the chosen merchandise will be in stock and ready for pick-up when the final payment is made.
11. *Current account*, as defined by the U.S. BEA, is the current account measures transactions in goods, services, and unilateral transfers between residents and nonresidents. Transactions in goods and services involve real resources, which may be defined as being capable of satisfying an economic need or want in and by themselves. The term *goods* refers to all

[1] http://en.wikipedia.org/wiki/Center_for_Financial_Services_Innovation

tangible and visible commodities, which may be in the form of raw materials or intermediate or final products. The term *services* refers to economic output of intangible commodities that may be produced, transferred, and consumed at the same time.

12. *The Consumer Finance Protection Bureau* (CFPB) is the U.S. regulatory agency charged with overseeing financial products and services that are offered to consumers. The Consumer Financial Protection Bureau is divided into several units, including: research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available.
13. *The Federal Deposit Insurance Corporation* (FDIC) is the U.S. Corporation that insures deposits in the U.S. against bank failure. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices. The FDIC insures deposits of up to US$250,000 per institution, as long as the bank is a member firm.
14. *Fully banked* is the term used to describe households that have a checking or a savings account but do not meet the definition of underbanked. Fully banked households may have used AFS more than a year ago or may currently use AFS that are not included in the underbanked definition.
15. *The model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry* is the new model, introduced in this dissertation that depicts a social theory to explain the formation of the underserviced consumer market within the U.S. banking subsector of the financial services industry. It is an interlocking system of converged coexistence, actualized by the formation of the underserviced consumer market

within the U.S. banking subsector of the financial services industry. It is comprised of a set of theoretically grounded synergistic conditions, merged with a set of unique psychosocial characteristics which have been empirically linked to the underserviced consumer group within the U.S. banking subsector of the financial services industry. Furthermore, this interlocking system of converged coexistence includes the coexistence of a complex and inefficient transactional arena, the coexistence of customer relational bonds that are predominantly absent or poorly functioning, and the coexistence of a cultural group orientation of underserviced consumers within the U.S. banking subsector of the financial services industry.

16. *Non-bank bill payments* are the use of AFSP to make a bill payment(s).
17. *Non-bank check cashing services* are the use of check cashing services from a non-bank (e.g. AFSP). These AFS services provide access to cash by cashing checks, such as paychecks and benefits checks, for a per check fee. These businesses also often sell money orders or money transmits which customers can use to pay bills.
18. *Non-bank issued money orders* are money orders retained from a nonbank that allows the stated payee to receive cash on-demand. A money order functions much like a check in that the person who purchased the money order may stop the payment.
19. *Non-bank prepaid credit cards* are open loop prepaid cardsthat can be redeemed at numerous locations and typically create opportunities for issuers to generate fee-based income. Open loop cards are also often referred to as *network branded* because the cards are issued with the Visa or MasterCard logo, allowing users to redeem funds anywhere they are accepted. In the context of this research, we focus on non-bank issuers who gained access, for a fee, to the Visa or MasterCard payment systems through partnerships with banks.

20. *Non-bank remittances* are electronic transfers of funds requested by a sender to a designated recipient that is sent by a non-bank remittance transfer provider.
21. *Pawn loans* are a short-term, secured lending transaction in which the lender typically takes physical possession of the item securing the loan (often jewelry or other personal goods). The lending agreement allows the pawn lender to take possession of and sell the collateral if the borrower does not meet the terms of the agreement.
22. *Payday loans* are a closed-end credit, with a term of 91 days or fewer; in which the amount financed does not exceed a certain amount and the borrower receives funds from and incurs interest and/or is charged a fee by a creditor. On the receipt of funds the borrower provides a check or other payment instrument to the creditor, who agrees not to deposit or present it for more than one day; or alternatively, the borrower may authorize the creditor to initiate a bank debit through electronic fund transfer or remotely created check after one or more days. Payday loans are short-term loans typically extended to consumers who have a checking account and can prove that they are employed. A check or debit authorization, postdated to the borrower's next payday, provides security to the lender. Payday loans typically involve low balances, in the $300 to $500 range, and have a two-week term coinciding with the consumer's pay cycle. Most payday loans are made through stand-alone payday stores and multiline financial service centers. Payday loan customers are by definition also bank customers, because they must have a checking account to obtain a payday loan. However, many banks have not been involved in extending small-dollar loans on a large scale, primarily because of concerns about the costs and feasibility of such programs.
23. *Refund anticipation loans* (RALs) are short-term loans, usually 7 to 14 days, offered by tax preparers as a purported way to speed the taxpayer's receipt of a tax refund. They are secured

by the expected refund, and the RAL fee is deducted from the refund. Generally, RALs are funded by banks through partnerships with tax preparers. Closed-end credit in which the covered borrower expressly, grants the creditor the right to receive all or part of the covered borrower's income tax refund, or agrees to repay the loan with the proceeds of the covered borrower's refund.

24. *Rent-To-Own Agreements* (RTO) are used to sell big-ticket consumer products, such as furniture, computers, appliances, and electronics, under rental-purchase agreements that allow consumers to own the goods at the end of the agreement.
25. *The U.S. Bureau of Economic Analysis* (BEA) is a division of the U.S. federal government's Department of Commerce that is responsible for the analysis and reporting of economic data used to confirm and predict economic trends and business cycles. Reports from the Bureau of Economic Analysis are the foundation upon which many economic policy decisions are made by government, and many investment decisions are made in the private sector by companies and individual investors.
26. *The U.S. Census Bureau* (USCB) is a division of the federal government of the United States Bureau of Commerce that is responsible for conducting the national census at least once every 10 years, in which the population of the United States is counted. The Bureau of Census is also responsible for collecting data on the people, the economy and the country of the United States.
27. *Unbanked consumers* (FDIC 2011 definition) are households that answered "no" to the 2011 FDIC survey question, "Do you or does anyone in your household currently have a checking or savings account?

28. *Underbanked consumers* (FDIC 2011 definition) are households that have a checking and/or savings account but rely on alternative financial services. Specifically, they have used non-bank money orders, non-bank check-cashing services, non-bank remittances, payday loans, rent-to-own agreements, pawn shops, or refund anticipation loans at least once in the last 12 months.

29. *Underserviced consumer within the U.S. banking subsector of the financial services industry* are individuals ($\geq$ 18 years old) or a household, that currently does not have a checking or savings account and who rely on alternative financial services (AFS); and/or; individuals ($\geq$ 18 years old) or a household, that currently has a checking and/or savings account but rely on AFS. These individuals or households rely on and have used alternative financial services providers (AFSP) products more than once within the last 12 months. Specifically, non-bank money orders, non-bank check cashing services, non-bank remittances, non-bank bill payments, non-bank issued prepaid credit cards (open loop), payday loans, rent-to-own agreements, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, and closed loop retail agreements (lay-away programs)

30. *Underserviced consumer market formation theory* (UCMFT) is a generalizable social theory that explains underserviced consumer market formation. It is an interlocking system of converged coexistence actualized by underserviced consumer market formation. It is comprised of a set of theoretically grounded synergistic conditions, merged with a set of unique psychosocial characteristics which have been empirically linked to the predominant consumer group (e.g. buyers) within the industry targeted or encompassed by the research. Furthermore, this interlocking system of converged coexistence includes the coexistence of a complex and inefficient transactional arena, the coexistence of customer relational bonds that

are predominantly absent or poorly functioning, and the coexistence of a cultural group orientation of predominant consumers (e.g. buyers).

31. *U.S. householder* or householder, in the context of this dissertation, refers to the owner or renter of the home in the U.S.

I INTRODUCTION

The practice of individuals and households within the USA using non-bank transactional and non-bank credit-related financial products and services as a tool for their personal financial management has existed as an underground economy for some time. However, it is becoming increasingly difficult to ignore that this underground economy has now *fully emerged* into a market of underserviced consumers within the U.S. banking subsector of the financial services industry. As of the start of the year 2012, most households within the USA (about 68.8%) conducted much of their financial affairs using commercial banks, savings and loan associations, savings banks, and credit unions. Consequentially, there is increasing concern and visibility to the significant amount of households within the USA (about 28.3%) who select to conduct their financial transactions without ever using mainstream financial services.[2],[3]

For the purposes of this dissertation, I will refer to this 28.3% as the *underserviced consumer within the US banking subsector of the financial services industry*, thereby combining and further customizing the 2011 Federal Deposit Insurance Corporation (FDIC) definitions of *unbanked consumers* (households that answered "no" to the 2011 FDIC survey question, "Do you or does anyone in your household currently have a checking or savings account?") and *underbanked consumers* (households that have a checking and/or savings account but rely on alternative financial services (AFS). Specifically, underbanked households have used non-bank money orders, non-bank check-cashing services, non-bank remittances, payday loans, rent-to-own agreements, pawn shops, or refund anticipation loans at least once in the last 12 months.

[2] 2011 FDIC National Survey of Unbanked & Underbanked Households, Released September 2012
[3] Although the U.S. banking subsector of the financial services industry refers to the combination of the FDIC definition of unbanked and underbanked as "the underserved," this research is introducing and defining this new term of "underserviced consumer within the U.S. banking subsector of the financial services industry." This new term of underserviced expands the scope of this consumer as we're looking for more attributes while affording clearly identifiable and measureable metrics, than that of people currently categorized as unbanked, underbanked, or underserved.

This study customizes and introduces the definition of *underserviced consumers within the US banking subsector of the financial services industry* as individuals (≥ 18 years old), or households that currently do not have a checking or savings account who rely on alternative financial services, and/or individuals (≥ 18 years old) or a household that currently has a checking and/or savings account but rely on AFS. These individuals or households rely on and have used alternative financial services providers (AFSP) products more than once within the last 12 months. Specifically, they have used either non-bank money orders, non-bank check cashing services, non-bank remittances, non-bank bill payments, non-bank issued prepaid credit cards (open loop), payday loans, rent-to-own agreements, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, or closed-loop retail agreements (lay-away programs)[4].

A considerable amount of peer-reviewed literature has been published on emerging markets within developed countries. According to Khanna and Palepu (1997), "Emerging Markets (EM) reflect those transactional arenas where buyers and sellers are not easily or efficiently able to come together." This has encouraged the dissertation title under the context that, although the USA is considered be a well-developed high-income economy (in relation to the rest of the world's economies), this underserviced consumer market within the U.S. banking subsector of the financial services industry has formed, thereby reflecting a transactional arena where buyers and sellers are not easily nor efficiently able to come together for reason(s) to be identified in the analysis of results section of the dissertation.

As defined, the underserviced consumer within the U.S. banking subsector of the financial services industry often relies on AFSP's for both transactional and credit-related products. Transactional-related products and services include non-bank check cashing, non-bank

[4] Definitions of AFSP products are located in the glossary of terms and acronyms section of the dissertation.

money orders, non-bank bill payments, non-bank remittances, and non-bank prepaid credit cards (specifically, open-loop). Credit-related products and services include payday lending, rent-to-own agreements, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, and closed loop retail agreements (layaway programs).

Recent evidence suggests that these AFS providers notably *sell convenience* by way of easy access to cash and/or credit. A number of researchers have reported that payday loans typically cost 400% on an annual percentage rate basis or more, with finance charges ranging from $15 to $30 on a $100 loan (Stegman, 2007). Questions have been raised about the consumers' ability to achieve economic stability and better their financial lives due to their prolonged use of AFS credit products such as payday loans. According to Burke et.al. (2014), over 80% of payday loans are rolled over or followed by another loan within 14 days (i.e., renewed) and monthly borrowers are also disproportionately likely to stay in debt for 11 months or longer.

Studies of AFS product usage provided by the FDIC (2011)[5] show the estimated AFS transaction volume is $320 billion annually. The FDIC statistical breakdown is as follows: buy-here-pay-here auto financing = $80 billion, non-bank check cashing services = $58 billion, payday loans = $48 billion, non-bank remittances = $46 billion, non-bank issued prepaid credit cards (open loop) = $39 billion, refund anticipation loans = $26 billion, non-bank money orders = $17 billion, and rent-to-own agreements = $7 billion. Based on the products and services encompassed within our newly introduced definition of *underserviced consumers within the U.S. banking subsector of the financial services industry*, this research considers the FDIC study results to be conservative estimates. Also, the AFS product channels are complex and very

[5] Addendum to the 2011 FDIC National Survey of Unbanked and Underbanked Households: Use of Alternative Financial Services Report. Released June 2013

difficult to define with many of the participating providers being very small or privately held companies, making the transactions difficult to monitor and track.

At least within the past decade, the financial services activities, attitudes, and behaviors of underserviced consumers within the US banking subsector of the financial services industry has increasingly become the subject of a great deal of interest for U.S. governing agencies, providers of mainstream financial products and services (banks and credit unions), providers of alternative financial services (AFS providers), and consumer advocates. While interest into this *emerging market* has exponentially grown, the ability to holistically understand its formation has been limited by, amongst other things, the types of research and segmentation provided by traditional market research organizations with respect to the broader population (Seidman, Hababou, & Kramer, 2005).

Whether they utilize the formal U.S. banking system's services or not, individuals and households in the USA juggle complex financial transactions on a daily basis and are using *customized techniques* to manage their personal finances. For the purposes of this dissertation, I do not assume that *all* underserviced consumers within the U.S. banking subsector of the financial services industry, who does not utilize the formal US banking systems' services, are somehow constrained from participating in this subsector.

However, as this emerging market of the underserviced consumer within the U.S. banking subsector of the financial services industry has formed, there has been no solid theoretical nor empirically conceptualized foundational explanations as why this is happening. This academic observation is not inferring that no analysis has been conducted within this area, as there has been some industry (e.g. market, U.S. government and non-profit organization) originated-based studies to explain *what* is occurring and *how rapidly* it is growing? .

Several attempts have been made to explain this phenomenon, and some industry analysts have offered macroeconomic explanations, whereas customer demand and vendor supply explains the explosive growth within the AFSP sector. The demand explanations hold that consumers of the AFSP products prefer to conduct their financial transactions with non-banks. This same analysis assumes that these customers are willing to pay relatively high fees for the conveniences of location, hours, and the ability to conduct several transactions at the same time, such as cashing checks, paying bills, and wiring money. Supply-side explanations hypothesize that AFSP, especially payday lenders, are filling a market void as a result of conventional providers reducing their services to these customers (Temkin & Sawyer, 2004). As one analysts says, “The vacuum in consumer credit created by the recent withdrawal of the majority of mainstream lenders from the small loan market is being filled largely by companies offering payday loans.” (Stegman & Faris, 2003)

This dissertation follows a qualitative and interpretive research study approach using grounded theory analysis as a means of interpreting the data. I will seek to answer the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

By employing qualitative modes of enquiry, I began this research with an open mind (as dictated by using grounded theory analysis as a means of interpreting the data) with the expectation that inductive theories would be grounded in the systematically gathered and analyzed data. The approach to fieldwork has consisted of an exhaustive literature review process,[6] an analysis of primary data, collected by conducting strictly confidential interviews from an adequate and representative population of providers (small and large: banks, credit unions, and AFSP’s) currently operating within the U.S. financial services industry; and an

[6] Very limited peer reviewed literature specific to this subject matter within the scope of this research topic exists.

analysis of academically approved secondary consumer data, specific to unbanked consumers and underbanked consumers within the USA, retrieved from the U.S. Census Bureau, the FDIC, and the U.S. Consumer Finance Protection Bureau (CFPB).

The overall objective of the analysis has been to collectively identify consistent or recurring patterns that align to, or can be grounded in, empirically based theories.

According to Davis (1971), "A theorist is considered great not because his theories are true, but because they are interesting." Theoretically speaking, within the academic field of the sociology of the interesting, theories that are considered *interesting* are those which deny certain assumptions of their audience, while non-interesting theories are those which affirm certain assumptions of their audience (Davis, 1971). Based on current general audiences, assumptions referencing why a person(s) may be underserviced within the USA banking subsector of the financial services industry have been attributed to everything from bad credit, to non-documented workers, to non-native English speakers, to the uneducated, and even to those with criminal histories. Although a handful of these assumptions may be applicable to *some* consumers, they are not among the foremost consistent or recurring patterns that have been identified as a result of the data analysis, thereby *denying* these common assumptions of the audience.

All interesting theories, at least all interesting social theories, constitute an attack on the taken-for-granted world of their audience. This audience will consider any particular proposition to be *worth saying*, only if it denies the truth of some part of their routinely held *assumption-ground*. If it does not challenge, but merely confirms one of their taken-for-granted beliefs, they will respond to it by rejecting its value while affirming its truth. The *taken-for-granted world* includes a practical dimension as well. A theory will be considered truly interesting only if it has repercussions on both levels (theory and practice) (Davis, 1971).

On the latter level, an audience will find a theory to be interesting only when it denies the significance of some part of their present "on-going practical activity" (Garfinkel, 1967) and insists that they should be engaged in some new on-going practical activity instead. If this practical consequence of a theory is not immediately apparent to its audience, they will respond to it by rejecting its value until someone can correctly demonstrate its utility.

Practically speaking, in the context of this subject matter, 28.3% of U.S. households (approximately 68 million adults) are considered *underserviced consumers within the U.S. banking subsector of the financial services industry*. This equates to more than one in four U.S. households conducting some or all of their financial transactions outside of the mainstream U.S. banking system. Many of these households rely on AFSP, use cash, or other means for their financial management. 12 percent of U.S. households used AFS products in the last 30 days. [7] About two-thirds of U.S. households have both a checking and a savings accounts, and are considered fully banked. However, of this two-thirds, 26.3% of fully banked households have used AFSP products.[8] This equates to a significant amount of revenue flowing through this emerging market, generating a significant amount of fees that are being paid to AFS providers. Stakeholders (e.g., agencies and providers) are searching for a holistic reason to account for this emerging market's formation and to provide a resolution to this phenomenon. Relevantly, this dissertation topic empirically supports both theoretical and practical importance.

Essentially, the aim of this research is to introduce *generalizable sociological theory* to explain the formation of an underserviced consumer market within the industry being studied.

---

[7] 2011 FDIC National Survey of Underbanked and Unbanked Households Report
[8] Addendum to the 2011 FDIC National Survey of Unbanked and Underbanked Households: Use of Alternative Financial Services Report. Released June 2013

This new social theory called *underserviced consumer market formation theory (UCMFT)* is then applied to the U.S. banking subsector of the financial services industry in order to address the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

In addition to introducing UCMFT to academia, other contributions to knowledge have materialized as a means of explaining this phenomenon and answering the research question of this study. These additional contributions to knowledge are introducing the term *underserviced consumer within the U.S. banking subsector of the financial services industry* and introducing a theoretically based explanatory model specific to this subject matter of this research called *the model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry*.

Positioning UCMFT for future research and generalizability includes the researchers' requirements of clearly defining the industry being studied, clearly defining the term underserviced consumers in the context of the industry being studied, and empirically identifying and linking the unique psychosocial characteristics to the underserviced consumer group within the industry being studied or encompassed by the research. Potential industries that could be included for future research grounding in UCMFT are medical, technology, telecommunications, government, legal, and so forth.

Overall, the empirical findings support the creation of the theory and its applicability to the financial services industry, specifically the U.S. banking subsector as scoped for this research.

II LITERATURE REVIEW

The generalizability of much published research on this issue is problematic. As this emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry has formed, it is evident that academic research in this subject area is very limited. Therefore, very limited peer-reviewed literature, specific to the context of this research exists. Most literature, as it relates to this specific subject matter, has been sponsored and/or originated by U.S. governing agencies, mainstream financial services providers, general businesses (non-financial services), AFS providers, non-profit organizations, consumer advocacy organizations, and marketing or research companies. Various industry-based market research and analysis reports also exist.

During the literature review and synthesization process of this research, literature streams were formed. I began with investigating relevant literature focused on the formation of emerging markets within developed economies and transitioned the focus to the financial services industry, and then to the U.S. banking subsector within the financial services industry. As more literature was reviewed, additional literature streams formed relating to investigating the interconnectedness amongst agencies (U.S. government regulators, non-profit organizations, and consumer advocates); providers (banks, credit unions, and AFS providers); and consumers (unbanked consumers and underbanked consumers in the USA). The goal of identifying and focusing on relevant literature streams was to address the research question of, Why has an emerging market of the underserviced consumer formed within the U.S. banking subsector of the financial services industry?

After numerous iterations (cycles) of literature review and synthesization, starting with seventeen literature streams, further analysis and synthesization resulted in a reduction from seventeen to nine literature streams, with further analysis and synthesization resulting in an even further reduction to three relevant literature streams. The relevant literature streams that have been identified for this research topic are market creation and emergence; marketing financial products and services in the USA, and personal financial management and consumer behavior, specific to banking in the USA.

Market Creation and Emergence

In recent years, there has been an increasing amount of literature on market creation and emergence. A large and growing body of literature has investigated how taking the view in the early stages of market emergence, institutional theory is preeminent in helping to explain impacts on enterprise strategies. This is because government and societal influences (e.g., institutions) are stronger in these emerging economies than in developed economies. The literature also emphasizes the importance of considering the interactions between institutional theory and other theories in differentiating understandings of emerging and developed market economies (Hoskisson, et. al, 2000; Khanna & Palepu, 2006; Popescu, et. al, 2011; and Demirgüç-Kunt and Klapper, 2013).

Financial markets in the United States are the largest and most liquid in the world. In 2012, finance and insurance represented 7.9% (or $1.24 trillion) of the U.S. gross domestic product. Leadership in this large, high-growth sector translates into substantial economic activity and direct and indirect job creation in the United States. Financial services and products help facilitate and finance the export of U.S. manufactured goods and agricultural products. In 2011, the United States exported $92.5 billion in financial services and had a $23.0 billion surplus in financial services and insurance trade. Excluding reinsurance, the financial services and insurance sectors had a surplus of $59.5 billion. The financial services and insurance sectors employed 5.87 million people in 2012. According to the U.S. Department of Labor, 818,000 people were employed in the securities and investment sector at the end of 2012. As of the end of 2012, the U.S. banking system had $14.45 trillion in assets. It supports the world's largest economy with the greatest diversity in banking institutions and a concentration of private credit.[9] In the second quarter of 2013, earnings grew by 23% to $42.3 billion, marking the 16th consecutive quarter of rising earnings.[10]

Preliminary work on emerging market creation was undertaken by Khanna and Palepu (1997) who has defined emerging markets as "those that reflect transactional arenas where buyers and sellers are not easily or efficiently able to come together," thereby creating a void between the two. This *void* has been identified as an *institutional void*. The relevant literature, specific to this research topic, tends to support the identification and existence of a void between buyers (underserviced consumers) and sellers of mainstream financial products and services (banks and credit unions) within the USA, which limits and, in some cases it prevents, the ability to easily or efficiently come together. In particular Bossone (2001), suggests that, the rapid evolution of finance over the last two decades and the breathtaking *e-age* revolution have persuaded many that, eventually, banks will be indistinguishable from other financial intermediaries, as all their functions can, at least as efficiently, be carried out by non-banks.

Preliminary work on emerging market creation in developed economies empirically supports categorizing the underserviced consumers within the U.S. banking subsector of the financial services industry as an *emerging market*. According to Palepu and Khanna (2010), ideally, every economy would provide a range of institutions to facilitate the functioning of markets, but developing countries fall short in a number of ways, which is also the case within

[9] NOTE: "Private Credit" NOT "small dollar credit"
[10] SOURCE: US Chamber of Commerce http://selectusa.commerce.gov/industry-snapshots/financial-services-industry-united-states

the U.S. financial services industry, specifically the U.S. banking subsector. These scholars (Palepu and Khanna) created the *theory of institutional voids* within emerging markets. The institutional voids identified within the emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry will be discussed in the analysis of results section of the dissertation.

Surveys such as the one conducted by Bradley et. al. (2009) have shown that emerging products and technologies could transform the alternative financial services sector.[11] These investigators encourage banks to monitor AFS trends in order to gain an understanding of competition in the financial services industry, as well as to identify emerging markets, products, and delivery channels that may be appropriate for a given bank's business plan. Additionally, the FDIC warned banks involved in offering AFS to be aware of, and to adhere to, applicable laws, regulations, supervisory policies, and sound business practices related to consumer protection, safety and soundness. They also urged banks who were considering engaging in AFS products and services, directly or through third-party arrangements, to contact their regulator. These types of *precautionary statements to banks* by U.S. governing regulators imply a level of instrumental complexity of AFS products which may not be clearly understood by the regulators, hence the precautionary recommendation. For the most part, banks are highly precautious to, or in some cases, precluded from selling AFS type products, thereby creating a gap in the market structure for the organic growth of alternative financial product and services. There is also a level of operational and regulatory complexity associated with AFSP products and services, as AFS providers are initially regulated at the individual state level, and each of the 50 states has customized laws as it relates to AFS products and services.

[11] A 2009 FDIC National Survey of Unbanked and Underbanked Households Snapshot of key AFS products and services reports. Washington, DC: FDIC http://www.fdic.gov/householdsurvey/2009/AFS_Addendum.pdf

Additional subsequent literature suggests that heavy income restrictions on banks, resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, has made it increasingly difficult for banks to continue offering attractive consumer products, such as low-or-no-cost checking accounts, which is another factor that makes it difficult for buyers and sellers to easily or efficiently come together. Recent evidence suggests that although banks are finding new ways to serve their neediest customers through products using mobile technology and prepaid cards, at the same time, these banks are concerned about possible efforts by the Consumer Financial Protection Bureau (CFPB) (see Figure 1) that may introduce *new* regulations on these *new* products that, like checking accounts, which could make them more costly and therefore unavailable to low-income customers.[12]

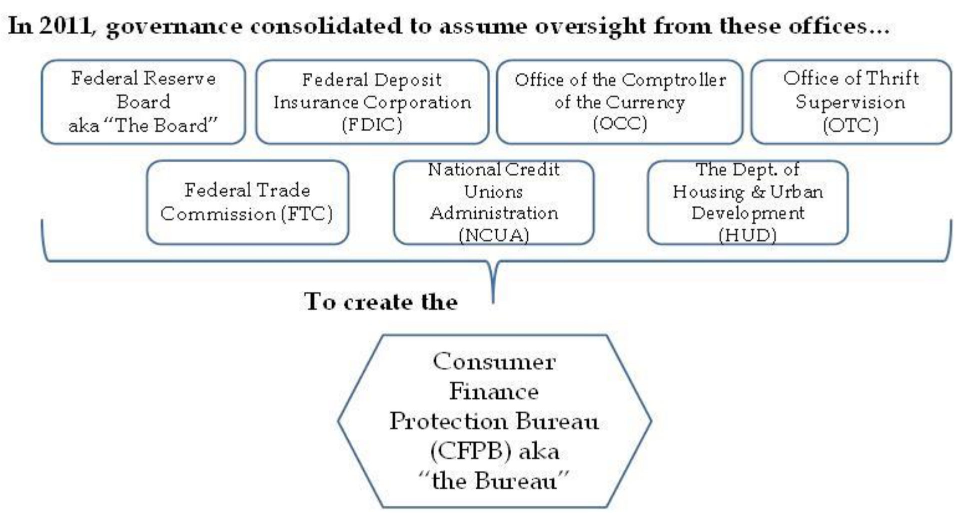


Figure 1: 2011 Creation of Consumer Finance Protection Bureau (CFPB)

Within the USA financial services industry, government regulators enforce macro-prudential financial guidelines. The CFPB was created in 2011 as an independent federal agency that holds primary responsibility for regulating consumer protection with regard to financial

[12] 2014 ABA Issue Summary: https://acbankers.org/Tools/CommTools/Mem/Documents/UnbankedandUnderbanked.pdf

products and services within the U.S. (Worrell, K. C., 2010). To gauge the massive structure of this agency, the CFPB assumed oversight of consumer compliance rules from several different federal agencies including the Federal Reserve Board (the Board), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), the Federal Trade Commission (FTC), and the Department of Housing and Urban Development (HUD), as shown in Figure 1. The U.S. banking subsector of the financial services industry and AFSP fall under this conglomerate's regulatory governance, while consumer finance protection also falls under its protection.

Emerging markets literature supports the existence of *institutional voids.* For example, Oliver (1991) applies the convergent insights of institutional and resource dependence perspectives to the prediction of strategic responses to institutional processes. From this literature, explicit attention is drawn to the strategic behaviors that organizations employ in direct response to the institutional processes that affect them. Basically, heavy regulation and market forces upon organizations, (providers within this industry), will enact different strategic responses as a result of the institutional pressures toward conformity (regulations) that are exerted upon them. The consequences of organizational resistance will also be an organizational trade-off as banks that are losing customers are somewhat less popular, and not necessarily socially supported although needed. At the same time, non-banks or AFSP's are more flexible, seemingly innovative, catalytic, and adaptive.

According to a 2012 FDIC report, using 2011 unbanked consumer and underbanked consumer data, more than one in four U.S. households (approximately 28.3% or 68 million adults) are underserviced within the U.S. banking subsector of the financial services industry, conducting some or all of their financial transactions outside of the mainstream U.S. banking system. This report also concludes that many individuals and households are now becoming underserviced within the U.S. banking subsector of the financial services industry, *voluntarily choosing* AFS products, such as prepaid reloadable credit cards as replacement mechanisms to their traditional accounts (2011 FDIC National Survey and Linn, 2008). These findings have significant implications for this dissertation topic and suggest that economically stable households are *purposely selecting* to be underserviced within the U.S. banking subsector of the financial services industry.

The literature also supports the momentum for this behavioral change in consumers, as past research suggests that certain higher transaction costs, such as increases in minimum checking account balances and additional fees such as overdraft fees, may be a factor in driving some consumers to alter their banking behaviors, such as voluntarily using AFS products and services, in recent years (Bernell, 2013; Damar, 2009; and Lusardi, 2001). In February 2012, the CFPB initiated a broad inquiry into financial institutions' overdraft programs for consumer checking accounts. Through the CFPB's supervision program, these banks provided institution-level information about their overdraft programs and accounts during 2010 and 2011. The CFPB report was released in June 2013.[13]

The CFPB findings raised concerns about the impact of overdraft practices on consumers, specifically the ability of consumers to anticipate and avoid overdraft costs on their checking accounts. The report found wide variations across financial institutions when it comes to the costs and risks of opting-in to overdraft coverage. The report also found that consumers who opt-in for overdraft coverage end up with higher account fees and more involuntary account closures

[13] CFPB Study of Overdraft Programs: A White Paper of Initial Data Findings, Released June 2013 http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf

than consumers who declined to opt-in. The report finds that overdraft and non-sufficient funds fees accounted for 61% of total consumer deposit account service charges in 2011 among the banks studied. The report also found that customers who overdrew their accounts at least once, paid an average of $225 per year in overdraft fees (Pg. 5). To put this in context, as of the date of the report in June of 2013, using the savings account rates of that date, a consumer would have to maintain a balance of $375,000 to earn enough interest to offset the overdraft fees in their checking account.

According to Tellalian, et. al. (2010), American families without a bank account live in a dangerous financial world. Their research reveals that the lack of access to government-insured savings or opportunities to build credit, meant that these American families not only incur risks of theft, fraud and loss, but by using alternative financial services (AFS) providers such as check cashers or payday lenders, they also become prey to expensive predatory products and services that make it harder for them to achieve financial security.[14] According to Fellowes and Mabanta (2008), banks, credit unions, policy makers, and consumer advocates have looked for ways to help households to access safe financial products and services that will help them manage their money, pay their bills, develop solid credit ratings, and build assets. However, their research concludes that the market opportunity is ripe, and so too is the opportunity for the types of abusive practices and missteps that cost lower and moderate income working families precious resources. Banks and lenders, advance fee loans, and credit cards were among the top consumer complaints filed and submitted to the Consumer Financial Protection Bureau (CFPB) in 2011, as illustrated in Figure 2.[15] Consumers submitted complaints for all providers, including the mainstream and alternative financial service providers.

[14] Pew Institute www.pewtrusts.org/safebanking
[15] 2011 Federal Trade Commission's Consumer Sentinel Network Data Book.

Captured in the FTC Consumer Sentinel Network database
(January 1st – December 31st)

1) Identity Theft	11) Foreign Money Offers and Counterfeit Check Scams
2) Debt Collection	12) Health Care
3) Prizes, Sweepstakes, and Lotteries	**13) Mortgage Foreclosure Relief and Debt Management**
4) Shop-At-Home and Catalog Sales	**14) Credit Cards**
5) Banks and Lenders	15) Television and Electronic Media
6) Internet Services	16) Business Opportunities, Employment Agencies, and Work-At-Home Plans
7) Auto-Related Complaints	17) Internet Auction
8) Imposter Scams	18) Travel, Vacations, and Timeshare Plans
9) Telephone and Mobile Services	**19) Credit Bureaus, Information Furnishers, and Report Users**
10) Advance-Fee Loans and Credit Protection/Repair	20) Magazine and Books

Figure 2: 2011 Top 20 Categories of Complaints Submitted to CFPB

Marketing Financial Products and Services in the USA

Establishing and building committed customer relationships has been a target goal of marketing financial products and services in the USA for many years. As a reciprocating requirement in building these customer relationships with mainstream financial institutions, consumers would also need to have a level of *trust* in order to *commit*.

The literature indicates that large commercial banks operate in a far more dynamic marketplace (Haggerty, 1988) and that the cost of funds fluctuates so rapidly that there is increased competition from both inside and outside the traditional banking system. As such, this is of particular interest as it relates to this subject matter, because there has been a significant increase in competition outside the traditional banking industry, which has come from AFSP's. Empirical evidence also supports the position that such rapidly changing circumstances have prompted a number of significant changes in traditional banking management, including the marketing of its financial products and services (Pranjana, 2009; Wang, 2005; Wong and Perry, 1991).

Contributing to the literature on marketing financial products and services in the U.S. is the importance of customer contact in the marketing of a bank's financial services and the importance of customer relationships, including customer service in retail banking (Julian & Ramaseshan, 1994). In the competitive environment of retail banking, there is constant pressure to innovate and develop new ways to establish and improve both customer relationships and customer service. Drawing the most direct parallel to the conceptual design of marketing financial products and services in the U.S is the level of importance that customer relationships can be measured. For example, empirical evidence concludes that two-thirds of customers have stopped doing business with a particular organization because they have received poor customer service (LeBeouf et. al., 1989; Grubb, 1967) and that attracting a new customer to replace a lost one takes five times as much effort, time, and money as it would have taken to keep the existing one (Jinkook, 2002; Seller, 1989). Hence establishing and maintaining committed customer relationships has been the critical focus of attracting and sustaining customers within the U.S. banking subsector of the financial services industry.

An additional contribution to the literature on marketing financial products and services, is an independent study that was commissioned by Xerox Corporation and conducted by Coleman Parks Inc., released in 2008.[16] The study was intended to identify specific marketing strategies that have been ineffectively used by retail banking institutions. The analysis acknowledges that each week banks send out millions of documents with no aim other than to push information to their customers and when the content and design of that information has not

[16]2008 White Paper – Xerox Corporation –Financial Services Customer Communication http://www.xerox.com/downloads/usa/en/xgs/whitepapers/xgs_whitepaper_financial_services_customer_communications.pdf

changed in over twenty years, it is not surprising that most people do not read it. The report also notes that different customers prefer different communication channels, and banks can improve cross-selling and can grow revenue through more targeted communications by getting the right message to the right person at the right time, using targeting and personalization. The report concludes that banks face a dilemma of how to find the *right balance between being human and approachable*, while maintaining the right distance, and being trustworthy and respectable. These findings have important implications for the subject matter as their survey results reveal that banks are too formal and do not communicate in terms many of their customers understand.

The literature also supports the importance of understanding customers and their financial products and service needs, which provides insight into creating effective marketing strategies, resulting in the establishment and building of customer relationships. A 2011 FDIC national survey of unbanked and underbanked households report, released in September 2012, concludes that understanding the characteristics of different segments of the underserviced populations might increase the efficacy of economic inclusion strategies. Different subgroups among underserviced households have different characteristics and varying levels of demand for banking services. Understanding these differences could lead to the development of products and strategies that more effectively engage these households. The report also notes that having a bank account does not guarantee long-term participation in the banking system. Households can and do cycle in and cycle out of the banking system over time. For example, nearly half of unbanked households had an account in the past, and nearly half (48.2%) of these report that they are likely to join the banking system again in the future. Also, almost a quarter of fully banked households have used AFS in the past and could have been considered underbanked at that time. Additionally, the same report suggests that households with banking experience appear to have more positive perceptions of having an account and rely less on AFS. According to the same report, financial services providers interested in pursuing the market opportunities that AFS users present, might need to more clearly demonstrate the value in having a bank account to AFS users who perceive non-bank financial services to be more convenient, faster, less expensive, and with lower barriers to qualification. For example, banks might find it useful to promote mobile technology to increase convenience, thereby addressing the most commonly reported reason given that households use non-bank check cashers. In addition, for the notable share of underserviced consumers who cited speed as a reason for using non-bank check cashing, efforts toward expediting the availability of deposited funds might make deposit accounts more appealing. Making affordable small dollar loans available with streamlined but solid underwriting could help attract consumers who currently rely on credit AFS.[17]

Scholars proclaim that relationship marketing literature chiefly focuses on elements such as trust and commitment, yet fails to pay proper attention to communication as a critical ingredient that enhances relationships, and that it is through interactive communication that trust and commitment are built and developed among the interested parties (Khan, 2014; Hogarth & Anguelov, 2004; Duncan & Moriarty, 1998). The literature also supports the impact of technology, specifically electronic banking (*e-banking*) on marketing relationships within financial services institutions. Financial services institutions seem to accept that the exact nature of future customer relationships is hard to predict because of the general volatility and rapid evolution of e-banking (Kapoulas, et. al., 2002). Currently, with existing electronic media networks (EMN) technology, a greater degree of individualization in e-customer communications may be the closest that financial services institutions are able to come to creating a notion of e-relationships. Managers' understanding of e-relationship has been formed

[17] 2011 FDIC National Survey of Underbanked and Unbanked Households Report

and nurtured as a learning process throughout the development of EMN. Further, they appear to have little idea how to approach e-customers to maintain a customer dialogue, or to know whether this is desired by their clients.

The literature indicates that many consumers do not perceive there to be an atmosphere of commitment or two-way communication surrounding business-to-consumer relations; rather, as pointed out by O'Malley and Tynan (2000), consumers see relationships as driven by convenience and self-interest. Eisingerich and Bell (2006) state that the effectiveness of relationship marketing efforts in services selling is to a large extent dependent on the customers' commitment to increase the depth and breadth of their relationship with the organization. In the context of this subject matter, providers seek commitment from consumers, and consumers should have a level of trust in the institution providing the service(s).

Personal Financial Management and Consumer Behavior Specific to Banking in the USA

American cultural anthropologist Margaret Mead (1901-1978) stated, "With many interconnected citizens energized, organized, and committed to spreading a sustainable way of life, a new cultural paradigm can take hold…"

Recently investigators have examined the effects of personal financial management and consumer behavior within the U.S. banking subsector of the financial services industry. The literature supports the case that cultural traditions (underserviced consumers) are starting to be reoriented toward sustainability to include their personal financial management external of mainstream financial services institutions. In the context of this subject matter, underserviced consumers within the U.S. banking subsector of the financial services industry originated as an underground economy which has now emerged into a market within the developed economy of the United States.

The literature also examines how new ecofriendly ways to celebrate rituals are being established and are becoming socially acceptable. Family sizes are starting to shift, and lost traditions, like the wise guidance of elders, are being rediscovered and used to support the shift to sustainability. Perhaps in a century or two, extensive efforts to pioneer a new cultural orientation will no longer be needed, as people will have internalized many of these new ideas, seeing sustainability, rather than consumerism, as *natural* (Assadourian, 2010; Lim, Livermore, & Davis, 2011; Van Slyke et. al., 2010; Lee, 2002; Monatalto,1996; Kurke, 1988).

Building upon the cultural relationship between financial institutions, the impact of technology (e.g., electronic banking and technology-based interactions), and consumers, the literature supports a cultural shift trending away from “check-writing and toward electronic and emerging payment methods.” Specifically, the literature reveals that “cost, convenience, and control over timing” are important qualities factored into a consumer’s banking selection. Also, preferred payment methods vary dramatically and is possibly due to some level of “inherent heterogeneity” (Bernell, 2013; Carten, et. al. 2007).

The literature also empirically supports a *type of cultural orientation* of the underserviced consumer within the U.S. banking subsector of the financial services industry. These consumers are tuned into their personal finances and demand complete control of the monies. They want to know exactly how much they have spent and how much they have left available; they do not like bank issued credit or debit cards because it is too easy for them to spend more than they have available, thereby incurring fees; and many track their expenses on paper or by spreadsheets using alerts on their mobile phones to remind them when bills are due. While these consumers expect fees for financial services as they also pay fees to AFSPs, they find it frustrating trying to understand and predict the fees that they are charged by financial institutions. They also find it questionable that some fees are waived when an account is initially opened (e.g. free checking) and then suddenly charged after six months (e.g. overdraft and minimum account balance fees).

According to Clee and Wicklund (1980), if advertisements are perceived as manipulative, it could lead to reactance effects in consumers. Too much product information, if perceived as a barrier that must be assimilated and understood before one can purchase a product in good faith, could generate reactance effects. The consumer may react to such information overload as a threat to his or her freedom to make a purchase. In the context of this subject matter, the consumer choice is to remain with a mainstream financial institution or to use AFS products. According to the *FDIC National Survey of Unbanked and Underbanked Households* (2011), 4% of unbanked consumers stated that the reason that they do not have a bank account or they left their financial institution is because of fees, for example, bank account fees or minimum requirements balance fees, and because it was difficult to maintain minimum balances, as illustrated in Figure 3.

Additionally, the literature identifies a common complaint from underserviced consumers within the U.S. banking subsector of the financial services industry as “the poor customer service” received from U.S. financial services institutions. Consumers state that they often “felt like a number” to their financial services institution and did not receive clear, helpful, nor consistent information from the bank employees with whom they spoke.

According to the literature and the “banking experience for these consumers,” many underserviced consumers within the U.S. banking subsector of the financial services industry have had negative experiences with financial services institutions and have turned elsewhere to meet their personal financial products and service’s needs. Most often, these consumers feel these alternatives are more convenient, offer more control, and are more transparent about their fees.

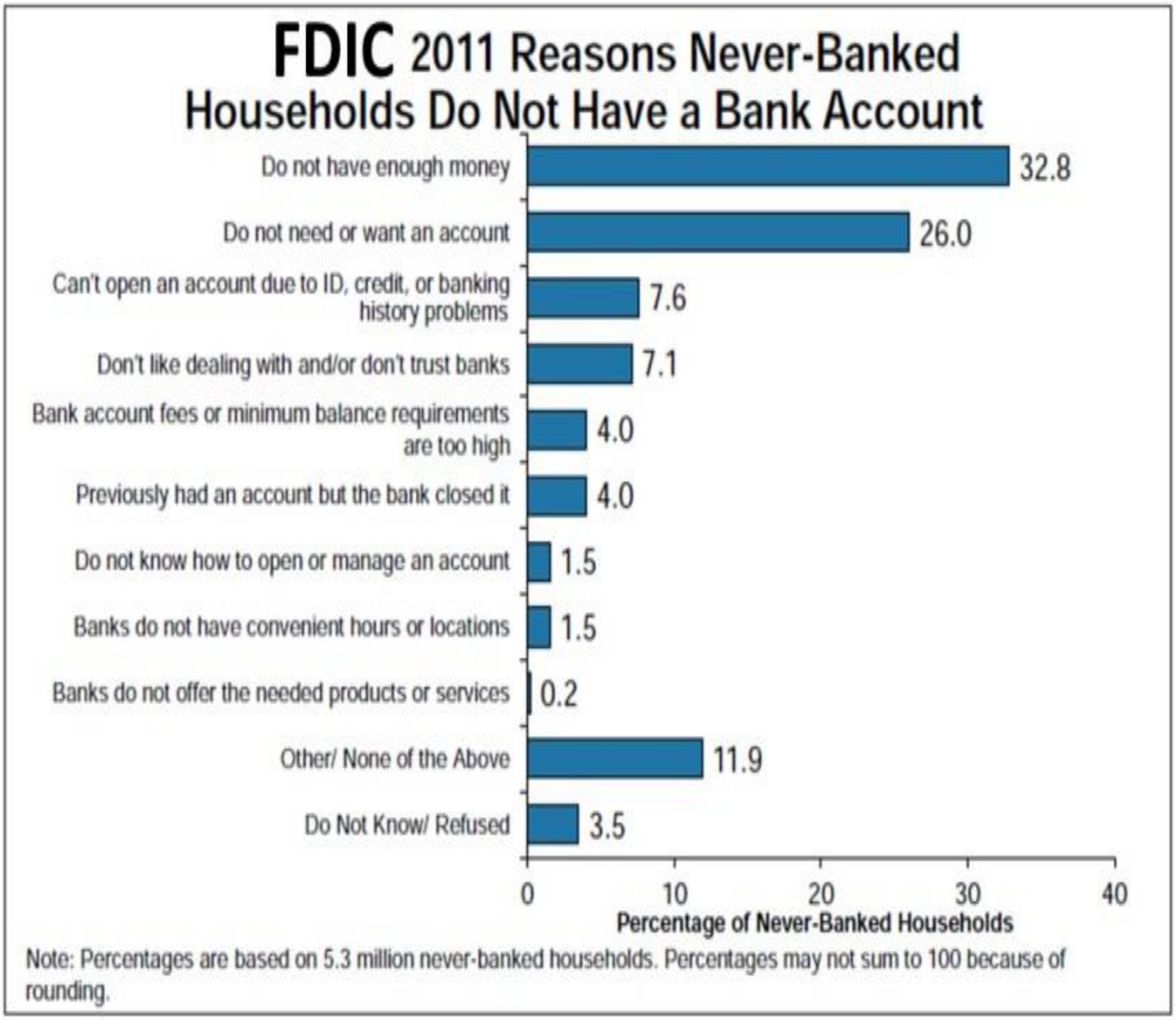


Figure 3: FDIC National Survey of Unbanked and Underbanked Household – Reasons Never Banked Households Do Not Have a Bank Account (Pg. 27)[18]

As a means of collecting additional rich data, strictly confidential semi-structured interviews from an adequate, representative population of consumers to both mainstream and alternative financial product and service providers, currently operating within the U.S. financial services industry, were conducted as the primary data source collection approach. Specific and shared consumer group psychosocial characteristics were empirically linked to the underserviced

[18] https://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf

consumer within the U.S. banking subsector of the financial services industry group, which will be identified and discussed during the Research Results and Analysis of Results chapters of the dissertation.

Empirical evidence supports the relevancy of the literature streams selected: market creation and emergence (emerging markets), marketing financial products and services within the USA (e.g., relationship marketing), and personal financial management and consumer behavior specific to banking in the USA (e.g., consumer culture).

Encompassed in the literature review process for this dissertation, both empirical and practical data has been reviewed, which further explains the environmental conditions of this emerging market. Also, commonly shared psychosocial characteristics of the underserviced consumer group within the U.S. banking subsector of the financial services industry has been identified and listed in the results section of the dissertation, as this empirical evidence is a result of consistent patterns identified from the empirical data.

After reviewing and synthesizing all relevant literature and data, this study customizes and introduces the definition of *underserviced consumer within the US banking subsector of the financial services industry* as individuals ($\geq$ 18 years old) or a household that currently does not have a checking or savings account who rely on alternative financial services; and/or; individuals ($\geq$ 18 years old), or a household that currently has a checking and/or savings account but rely on alternative financial services. These individuals or households rely on and have used alternative financial services more than once within the last 12 months. Specifically, non-bank money orders, non-bank check cashing services, non-bank remittances, non-bank bill payments, non-bank issued prepaid credit cards (open loop), payday loans, rent-to-own agreements, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, and closed loop retail agreements (lay-away programs).

Key Assumptions

During the primary data source collection process (confidential semi-structured interviews with providers currently within the industry), this research study assumes that all data-collective subjects answered honestly. Additionally, the interview questions that were posed to the data-collective subjects, are structured to assure that the interview questions focused on discovering the root cause of the research problem, enabling an explanation to the research question.

This research study does not assume that *all* underserviced consumers within the U.S. banking subsector of the financial services industry, who do not utilize the formal US banking system's services, are somehow constrained from participating in this sector, particularly in utilizing mainstream banking financial services and/or products.

Although there is very limited peer-review literature as it directly relates to the subject matter being studied in the USA and there is no solid theoretical nor empirically conceptualized foundational explanations which holistically explains the operating environment and answers the research question; this research study does not assume that *no prior analysis has been conducted* within this area, as there has been some industry (market, U.S. government, and non-profit organizations) originated-based studies to explain *what* is occurring and growth.

Owning to the length constraints of the GSU EDB program, my thematic review is by no means claiming to be fully exhaustive nor all inclusive.

III Theoretical Base for the Research

A problem does not suddenly emerge when there is some theoretical basis for believing the problem has a solution (Davis, G. B., et al., 2012). The purpose of this chapter is to provide a generalized theoretical basis and concepts from past research that provide a rationale for the research performed. At present, the mechanisms explaining the formation of underserviced consumers within the U.S. banking subsector of the financial services industry, thereby creating an emerging market, remain *incompletely understood*. After reviewing several theories that when taken together, seem to *somewhat explain the operating environment (e.g., market conditions)*, no theories, as of yet, can fully account for the holistic reasoning of why this emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry has formed? This inability is at least partly due to very limited peer-reviewed literature that is specific to this topic and within the context of this research. In addition, there is a failure to formulate a more unified general explanatory theory that specifically addresses this phenomenon within the financial services industry, specifically the U.S. banking subsector.

Each theoretical anchor is not applicable by itself and cannot *fully explain* the formation of this emerging market. However, when empirical evidence is merged together as the theoretical basis for this research, it creates a set of synergistic conditions which provide foundational and pragmatic support in explaining the environment (e.g., the current state of the market) in which the underserviced consumer group operates. These sets of merged theories (e.g., synergistic conditions) are listed and discussed below:

Emerging Markets Theory: Institutional Voids

According to Khanna and Palepu (2010), the term *emerging markets* was coined by economists at the International Finance Corporation (IFC) in 1981, when the group was promoting the first mutual fund investments in developing countries. Since then, references to emerging markets have become ubiquitous in the media, foreign policy, trade debates, investment fund prospectuses, and multinationals' annual reports, but definitions of the term vary widely. The term is often reduced to the unhelpful tautology that emerging markets are *emerging* because they have not *emerged*. To understand emerging markets, these academics state that, "*we should carefully consider the ways in which they are emerging and the extent to which they are genuine markets*." Based on many signs of emergence, some might say, emerging markets are not distinctly different from other markets; rather, they are simply starting from a lower base and rapidly catching up. Indicators, such as the growing numbers of emerging market-based companies listed on the New York Stock Exchange (NYSE) or the growing ranks of billionaires from emerging markets listed annually by Forbes magazine, illustrate this trend.

Category	**Criteria**
Poverty	Low-or middle-income country Low average living standards Not industrialized
Capital markets	Low market capitalization relative to GDP Low stock market turnover and few listed stocks Low sovereign debt ratings
Growth Potential	Economic liberalization Open to foreign investment Recent economic growth
Source: Standard & Poor's; International Finance Corporation; Trade Association for the Emerging Markets; J. Mark Mobius, *Mobius on Emerging Markets* (London: Pitman Publishing, 1996), 6–23.	

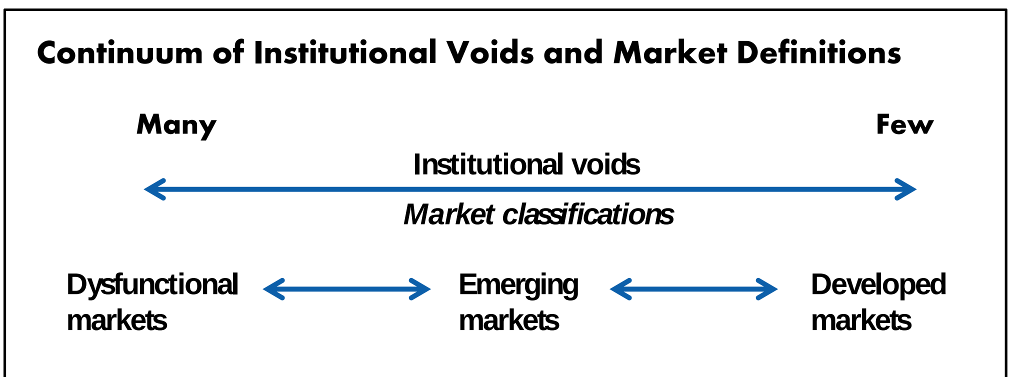
Table 1: Frequently used criteria for defining emerging markets

All of these criteria, listed in Table 1,—the indicators of opportunity and the causes for complaint—are important features of many emerging markets, but they do not delineate the underlying characteristics that predispose an economy to be emerging, nor are they particularly helpful for businesses that seek to address the consequences of emerging market conditions. Khanna and Palepu (2010) see these features of emerging markets as symptoms of underlying market structures that share common, important, and persistent differences from those in developed economies. As stated previously, the practice of individuals and households within the USA of using non-bank transactional and non-bank credit-related financial products and services as a tool for their personal financial management has existed as an underground economy for some time. However, this research study posits that this former underground economy has now *fully emerged* into a market of underserviced consumers within the U.S. banking subsector of the financial services industry.

An additional, yet fundamental premise of Khanna and Palepu's (2010) work is that, emerging markets reflect those transactional arenas where buyers and sellers are not easily or efficiently able to come together. These *institutional weaknesses* (e.g., voids) make a market *emerge* and are a prime source of the higher transaction costs and operating challenges in these markets. To explain this markets' formation, this subject matter grounds in the emerging market theory of institutional voids. According to its creators (Khanna and Palepu, 2010), all emerging markets feature institutional voids. However, the particular combination and severity of these voids varies from market to market.

In the context of this research study, the USA is a developed economy with a financial services industry profit margin that is so vast that these profits balance out the U.S. balance of payments (BOP), specifically the capital account (Berman & Bogen, 2013). As iterated in the introduction chapter of this research, as of the end of 2012, the U.S. banking system had $14.45 trillion in assets. It supports the world's largest economy with the greatest diversity in banking institutions and concentration of private credit. This leads to the empirically based assessment that, *institutional voids exist* within the U.S. banking subsector of the financial services industry and anchoring in the emerging market theory of institutional voids, supports being able to partially address the research question.

For the purposes of scoping this dissertation topic and to alleviate any discrepancies, this research uses Khanna and Palepu's (2010) scholarly definition of emerging markets which is, "a myriad institutions required in capital markets to support simple or complex transactions between buyers and sellers of goods and services." These scholars additionally define emerging markets as, "those where these specialized intermediaries are absent or poorly functioning." That is, these markets are *emerging* as market participants work to find ways to bring buyers and sellers of all sorts together for productive exchange. This structural definition arrays markets along a continuum, from entirely dysfunctional, with a plethora of institutional voids, to the highly developed (see Figure 4 below). This definition implies that every market, including those of the United States and other developed economies, has some degree of "emergingness" built in. This is the baseline theory of institutional voids within emerging markets, as applied to this research study.[19]



Source: Khanna, Tarun and Palepu, Krishna G. April 28, 2010. Book *Winning in Emerging Markets: A Road Map for Strategy and Execution,* Harvard Business Press Books 272 pages. (Page 25 Figure 1-1)

Figure 4: Continuum of Institutional Voids and Market Definitions

[19] For the purposes of this research study, the concept of emerging markets aligns with Khanna and Palepu (2010) scholarly definition of an emerging market which goes beyond the common understanding of an emerging market.

To provide further empirical evidence of the existence of emerging markets within developed market economies, Khanna and Palepu (2010) identified the subprime mortgage market in the United States as an emerging market. They further identified the institutional voids that existed within this emerging market of subprime mortgages as a key contributor to the financial crisis of 2008-2009.

> *Although the subprime lending market was serviced by a range of intermediaries—mortgage brokers, credit scorers, rating agencies, investment bankers, credit insurers, and regulators—these intermediaries did not effectively mitigate the information and contracting problems of a market in which the origination and financing of loans were so separated and incentives – such as credit-rating agencies being compensated by the entities whose securities they rated- were misaligned. The fast growth and increasing sophistication of transactions- the bundling and selling of mortgages in complex derivatives- outplaced the capacity of market intermediaries to handle them. More than the absolute growth or potential of a market, it is this gap in market infrastructure that defines it as an emerging market. The resulting financial crisis—the worst since the great depression—shows that institutional weaknesses can lead a market completely astray* (Khanna and Palepu 2010).

Similar types of *institutional weakness* (e.g., specialized intermediaries that are absent or poorly functioning) exist today within the myriad of the financial services industry, specifically the U.S. banking subsector of the financial services industry. Market participants (e.g., providers and agencies) are working to find ways to easily and efficiently bring buyers and sellers of alternative financial products and services together for productive exchange. The organic growth of the alternative financial services sector, with 28.3% of all U.S. households using these products, coupled with the increased sophistication of alternative financial service transactions, have disrupted the U.S. banking subsector of the financial services industry. The empirical evidence clearly supports the existence and emergence of a complex and inefficient transactional arena within the U.S. banking subsector of the financial services industry, and therefore, grounding in emerging market theory is applicable.

Relationship Marketing Theory: Commitment-Trust

Additionally, this research study anchors in relationship marketing theory, specifically commitment-trust. According to Hui (2006), relationship marketing has emerged as a contestant to traditional marketing theories since the early 1990s; proponents of relationship marketing as a paradigm shift to traditional marketing theories have criticized the transactional nature of the traditional marketing concept, and they have argued that the positivist nature of theorizing marketing based on microeconomic models has ignored the factor of *relationship* in a marketing process and its strategic implications in human interactions in an exchange process. Relationship marketing constituted a major shift in marketing theory and practice (Morgan and Hunt, 1994). In the services marketing area such as financial products and services, scholars define relationship marketing as, "attracting, maintaining and – in multi-service organizations—enhancing customer relationships" (Berry 1983, Berry and Parasuraman 1991).

According to Garbarino and Johnson (1999), consumer decision making with respect to marketing organizations is believed to be guided by high order mental constructs such as customer satisfaction, perceived service quality, perceived value, *trust, and commitment*. These global evaluations are believed to summarize consumer knowledge and experiences with a particular firm and guide subsequent consumer actions. For decades, one of the key global constructs of predicting consumer behavior has been overall customer satisfaction. The shifting emphasis to relational marketing has broadened the list of factors that predict future intentions, to now incorporate new constructs such as *trust* (Moorman, Deshpande, and Zaltman 1993; Morgan and Hunt 1994) and *commitment* (Dwyer, Schurr, and Oh 1987; Gundlach, Achrol, and Mentzer 1995; Morgan and Hunt 1994) which empirically supports the additional anchoring of this subject matter within relationship marketing theory, specifically commitment-trust theory.

Several theories of relationship marketing propose that customers vary in their relationships with a firm on a continuum from transactional to highly relational bonds (Dwyer, Schurr, & Oh 1987; Jackson 1985). Scholarly literature argues that an organization may need to pursue both transactional and relational marketing simultaneously because not all customers want the same working relationship (Anderson & Narus 1991; Dwyer, Schurr, &Oh 1987; Jackson 1985).

Morgan and Hunt (1994) conclude that successful relationship marketing "requires relationship commitment and trust." Their key mediating variable (KMV) model of relationship marketing (see Figure 5) focused on one party in the relational exchange and that party's relationship commitment and trust.

In the context of this research, the one party is the underserviced consumer groups' commitment and trust in the relational exchange within the financial services institution of the U.S. banking subsector of the financial services industry (banks and credit unions).

Using *relationship commitment and trust* as key constructs, these academics positioned them as mediating variables between five important antecedents (relationship termination costs, relationship benefits, shared values, communication, and opportunistic behavior) and five outcomes (acquiescence, propensity to leave, cooperation, functional conflicts, and decision-making uncertainty). The findings of their research produced favorable results in *identifying* *commitment and trust* as key mediating variables critical to the study and management of relationship marketing. The commitment-trust theory maintains that those networks characterized by relationship commitment and trust (such as providers of mainstream financial service providers) engender cooperation. In the context of this subject matter and specific to this research topic, the providers of mainstream financial products (savings and loans, etc.) seek a committed relationship built on trust from their customers.

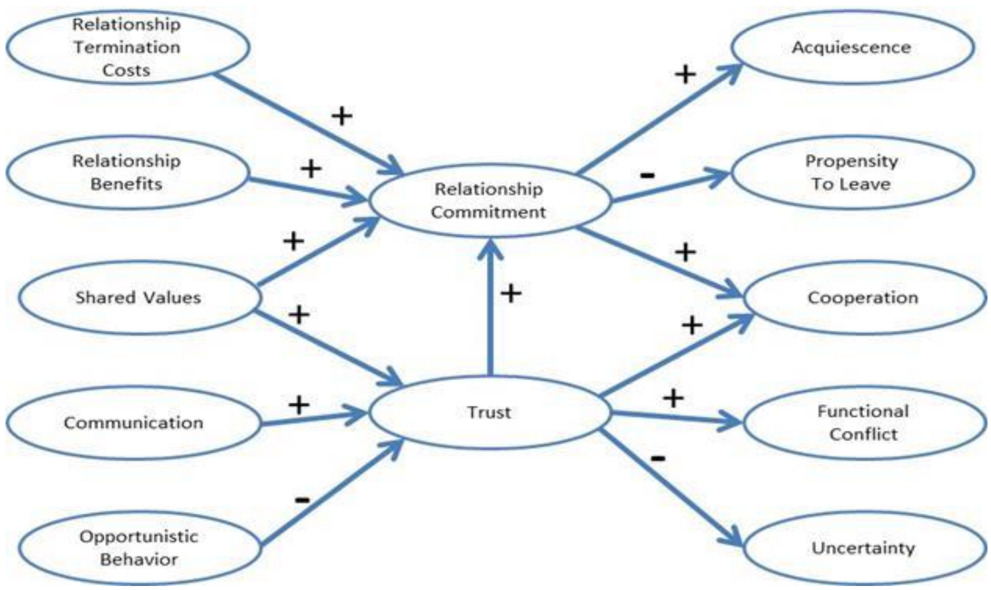


Figure 5: Key Mediating Variable Model of Relationship Marketing

Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *The Journal of Marketing*, pg. 22

According to Morgan and Hunt (1994), commitment and trust are "key" because they encourage, or at least they should encourage, marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, when both commitment and trust, not just one or the other, are present, they produce outcomes that promote efficiency, productivity, and effectiveness. As empirically evidenced, commitment and trust lead directly to cooperative behaviors that are conducive to relationship marketing success.

According to Berry (1995) and Webster (1992), differences in trust and commitment are the features that most distinguish customer partners from customers with an orientation toward single or repeat transactions. Good customer service is the key to a successful organization and customer retention for any retail organization to include *all* providers of mainstream financial products and services. The analysis of empirical data (to be further discussed in the analysis of results section) identified one of several unique psychosocial characteristics amongst the underserviced consumer group within the U.S. banking subsector of the financial services industry that *identifies a lack of trust* for financial services institutions (mainstream financial services institutions). The empirical evidence also supports the existence of the providers' diligent attempts to attract, maintain, or enhance customer relationship with the goal of creating stronger customer relational bonds. Therefore, the additional anchoring of this research study in relationship marketing theory is applicable.

Consumer Culture Theory: Psychosocial Characteristics

According to Arnould and Thompson (2005), consumer culture theory (CCT) is a viable disciplinary type of consumer research that addresses the sociocultural, experiential, symbolic, and ideological aspects of consumption. Moreover, it is a distinctive body of theoretical knowledge about consumption and marketplace behaviors that addresses the dynamic relationships between consumer actions, the marketplace, and cultural meanings (pg. 868). CCT explores the heterogeneous distribution of meanings and the multiplicity of overlapping cultural groupings that exist within the broader socio-historic frame of globalization and market capitalism. Thus, consumer culture theory denotes a social arrangement in which the relations between lived culture and social resources, and between meaningful ways of life and the symbolic and material resources on which they depend, are mediated through markets, and in the context of this subject matter, the *market* would be the emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry market (pg. 869). The culture posited to have been created is a group of individuals who prefer to partially or completely manage their personal finances through nontraditional banking means. CCT conceptualizes culture as the very fabric of experience, meaning, and action (Geertz 1983).

Arnould and Thompson’s (2005) empirical analysis was over the span of 20 years and notes the vast scholarly literature that has produced overviews of CCT’s philosophy of science foundations and methodological orientations (Anderson 1986, 1988; Arnold & Fischer 1994; Bristor & Fischer 1993; Firat & Venkatesh 1995; Hirschman 1993; Holbrook & O’Shaughnessy 1988; Hudson & Ozanne 1988; Murray & Ozanne 1991; Sherry 1991; Sherry & Kozinets 2001) and domain-specific reviews of its substantive contributions (Belk 1995; Mick et al. 2004; Sherry 2004), as it is a credible theory.

In an effort to address the research question of why an emerging market of underserviced consumers has formed within the U.S. banking subsector of the financial services industry, there is a need to analyze the dynamic relationship between underserviced consumers' actions (e.g., the commonly shared unique psychosocial characteristics shared amongst the underserviced consumer group), the emerging marketplace in which they operate, and the cultural meanings of those actions, whereby additionally grounding this research in consumer culture theory is relevant to round out the theoretical basis for this research.

This research seeks to empirically identify a set of unique psychosocial characteristics linked to, and commonly shared amongst the underserviced consumer group within the U.S. banking subsector of the financial services industry. By additionally anchoring this research study in CCT, I will also address the dynamic relationships of group characteristics between consumer actions (consumers' use of traditional versus non-traditional financial products), and the marketplace (the emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry) as the underserviced consumer's culture.

In summary, anchoring this research topic in emerging markets theory, relationship market theory, and consumer culture theory explicates the theoretical base for the research.

IV RESEARCH METHODOLOGY AND RESEARCH APPROACH

This study is exploratory in nature. A qualitative and interpretive study has been selected as the research methodology. The research approach has involved iteratively collecting, analyzing, and synthesizing peer-reviewed literature; iteratively collecting, analyzing, and interpreting secondary empirical data specific to unbanked and underbanked conditions within the U.S. banking subsector of the financial services industry; conducting confidential semi-structured interviews with current industry providers as a means of capturing first-hand knowledge and experience of this phenomenon (e.g., biographical research); criterion sampling as a means of capturing rich information; and grounded theory analysis has been used as the means of interpreting the data. Both the research methodology and research approach has been deemed appropriate in answering the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

According to Merriam (1998), "qualitative research offers the greatest promise of making significant contributions to the knowledge base and practice of education," because it is "focused on discovery, insight, and understanding from the perspective of those being studied," which empirically supports the contributions to both knowledge and practice objectives of this scholarly research. According to Rossman and Rallis (1998), "there are few truths that constitute universal knowledge; rather, there are multiple perspectives about the world." Hence, qualitative methodology is appropriate for this study.

In alignment with qualitative research studies, the approach to fieldwork process started with identifying the research problem and the framing of a research question that demarcates the phenomenon to be studied (i.e., the emergence of underserviced consumers market within the U.S. banking subsector of the financial services industry).

Secondly, the process involved collecting, analyzing, and synthesizing peer-reviewed literature specific to market creation and emergence, the marketing of financial products and services in the USA, personal financial management and consumer behavior, and consumer behavior specific to banking in the USA. I reviewed and synthesized empirical and academically approved practical studies within several areas, thematically identified as particularly relevant to this dissertation topic, including market creation and emergence, economics based on market forces and consumer behavior, the marketing of financial products and services in the USA, and personal financial management and consumer behavior specific to banking in the USA (Thomas 1978; Thaler 1985; Shefrin & Statman 1985; Lee, Schleifer, & Thaler 1991; Caskey 1994; Kennickell & Kwast 1997; Caskey 1997; Doyle, Lopez, & Saidenberg 1998; Glaeser & Schenkman 1998; Hill, Ramp & Silver 1998; Hogarth & O'Donnell 1999; Hogarth & O'Donnell 2000; Schwartz 1998; Caskey 2002; FDIC National Survey 2009; FDIC National Survey 2011; Gross, Hogarth, and Schmeiser 2012; Bernell 2013).

Thirdly, the process involved collecting, analyzing, and interpreting secondary empirical data specific to unbanked and underbanked market conditions and consumers within the banking subsector of the U.S. financial services industry. I reviewed and synthesized empirically relevant and academically approved secondary data as it relates to agency collected data (U.S. government and non-profit organizations). This secondary data was collected from agency sponsored (e.g., Federal Deposit Insurance Corporation National Survey 2011; U.S. Census Bureau, Consumer Finance Protection Bureau (CFPB), U.S. Federal Reserve, and the Pew Research Institute) surveys of both unbanked consumers and underbanked consumers within the

USA within the years 2010 through to 2013. The rationale for the extensive engagement with existing empirical studies and literature was to identify what work has been done, which issues are central to the topic, and what knowledge gaps currently exist. The relationship with existing literature during the research process was pragmatic, whereby empirical findings and theoretical ideas from different fields were identified and accessed as deemed necessary, in order to progress the study.

All literature reviewed and synthesized was uploaded into NVivo, whereas connections (i.e., recurring patterns) between categories and themes were used to further understand the formation of the underserviced consumers market within the US banking subsector of the financial services industry and to shape the organization of the data depicted in the dissertation (see Appendix D). This review of existing research was aimed to facilitate a familiarity with what McMenamin (2006) terms the *geography of a subject*, and has been central to the formulation and justification of the research question which has been revised several times. .

Provider interviews were the primary source of data collection for this research study. I extensively reviewed and synthesized existing relevant peer-reviewed literature and empirically relevant and academically approved secondary data, as it relates to agency data, prior to conducting interviews. These confidential semi-structured interviews were conducted with providers (e.g., currently employed officials within small and large banks, credit unions, and alternative financial services providers) who currently operate within the financial services industry or the alternative financial services industry within the USA. All transcriptions from interviews were also uploaded into NVivo, whereas connections (i.e., recurring patterns) between categories and themes were used to further understand the formation of the underserviced consumers market within the U.S. banking subsector of the financial services industry and to shape the organization of the data depicted in the dissertation. (See Appendix D)

By conducting strictly confidential, semi-structured interviews with providers currently operating within this emerging market and using the results of these interviews as the primary source of data collection, this approach has also encompassed biographical research. According to Creswell (1998), biographical research is “the study of an individual and his or her experiences as told to the researcher or found in documents and archival material.” The first-hand knowledge and observations while servicing and communicating with underserviced consumers within the U.S. banking subsector of the financial services industry provided descriptions of, reflections upon, and knowledgeable insights into their specific experiences from which empirical information was extracted.

By exploring the insights and perceptions of experienced practitioners who are currently employed as an officer within the U.S. banking subsector or alternative financial services industries (providers) who have also had multiple and extensive experiences with underserviced consumers, has made it possible to obtain *multiple perspectives* that furthered my understandings of this emerging market’s formation. This research has been designed in such a way as to gain an empirically based comprehension of these variations in the interpretation of these providers’ experiences with underserviced consumers within the U.S. banking subsector of the financial services industry.

The participant criterion for this study was thoroughly vetted and approved by the International Review Board (IRB) and was based on each participant’s current position as a provider (i.e., current employee and officer of a bank, credit union, or alternative financial service providers) within the USA, because they each have a unique perspective and insight on conditions that have or may have attributed to this emerging market of underserviced consumers formation. The informed consent form was signed by participants and confidentiality kept in accordance with IRB standards. These participants' extensive experience with *consumers* (both underserviced and fully serviced within the U.S. banking subsector of the financial services industry), *agencies* (U.S. government, regulators, non-profit organizations, and consumer advocates), and with other *providers* (bankers, credit unions, and providers of alternative financial services) directly addressed the research question.

According to Maxwell (1998), works on quantitative research generally treat anything other than probability sampling as *convenience sampling*, and strongly discourage the latter. For qualitative research, this ignores the fact that most sampling in qualitative research is neither *probability sampling* nor *convenience sampling*, but falls into a third category of *purposeful sampling* (Patton, 1990). This is a strategy in which particular settings, persons, or events are deliberately selected for the important information they can provide that cannot be gotten as well from other choices (Maxwell, 1998). Sampling decisions were grounded in the emerging concepts that became relevant to the developed theories (the theoretical basis for the research and the literature evaluation).

As there is a variety of sampling procedures available for qualitative research and as the research process evolved, this study selected criterion sampling (a form of purposeful sampling) as this approach sampled individuals who were information rich in the subject matter of the dissertation topic in order to address the research question. According to Patton (2002), criterion sampling involves reviewing and studying “all cases that meet some predetermined criterion of importance. It is important to identify participants who are likely to be information rich because they may reveal major system weaknesses that become targets of opportunity for program or system improvement."

Interview participation consisted of targeting a population of 12 companies (3 very large international banks headquartered in the USA, 3 national banks, 3 credit unions—a mix of national and regional, and 3 alternative financial service providers—a mix of interstate and intrastate). 8 of the 12 companies participated. These participants voluntarily agreed to be confidentially interviewed for this research study. A variety of perspectives were expressed, as depicted in the results section of this dissertation, as eight separate confidential interviews were conducted. All interview participants were senior officers within their respective corporations. Of the population interviewed, ten individual senior officers represented eight different corporations including two very large banks with international operations, one national (USA) bank, one regional (USA) bank, one regional (USA) credit union, and three AFS providers (two with interstate operations and one with intrastate operations). See Table 2 below:

U.S. Banking Subsector of Financial Services Industry	**Alternative Financial Services Providers**	**Organizational Role of Participants**
2 very large (international) banks	1 very large (Interstate) AFSP	All interviewees were Senior Officers within their respective corporations
1 national (USA only) bank	1 interstate (USA only) AFSP	
1 regional (USA only) bank	1 Intrastate (USA) AFSP	
1 regional (USA only) credit union		
5 Total Providers Participated	3 Total Providers Participated	8 Total Provider Participants

Table 2: Details of Interview Participation for Research Topic:This participant population provided adequate representation to capture rich information from the subject matter expert population of both mainstream financial services and alternative financial services providers' currently in the U.S. financial services industry (small and large: banks, credit unions, and AFSP's).

Semi-structured interviews were conducted. Because of the sensitivity of the topic, the interviews were strictly confidential. According to Seidman (1998), semi-structured interviews guide the conversation that allows for participants to provide information that is important to them but not necessarily reflected in the interview questions:

> *We can come to understand the details of people's experience from their point of view. Furthermore, we can see how their individual experience interacts with powerful social and organizational forces that pervade the context in which they live and work, and we can discover the interconnections among people who live and work in a shared context* (Seidman, 1998).

Understanding the participants' points of view (i.e. insights and opinions by way of their direct experience and interaction) and allowing their voices to be heard, empirically supports the selected research approach of semi-structured interviews as a means to support answering the research question.

During the semi-structured interviews, a set of interview questions (Appendix A) was used to guide opportunities to explore this phenomenon of an emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry. The literature evaluation was used to create the semi-structured interview questions posed during the interviews. The rationale for the extensive engagement with existing empirical studies and literature (e.g. the literature evaluation) was to identify what work has been done, which issues are central to the research topic, and what knowledge gaps currently exist, in order to construct the interview guide used for this research. The interview guide was designed in such a way as to gain an empirically based comprehension in the interpretation of the providers' experiences with underserviced consumers within the U.S. banking subsector of the financial services industry and the alternative financial services industry.

Enrollment of participants was limited to providers within the U.S. banking subsector of the financial services industry and providers within the alternative financial services industry in the USA. The semi-structured interviews were conducted over the phone. Participation in the study took an average of approximately 45 (forty-five) minutes and were one time only, with the ability to follow-up if required. No follow-up was required. When the participants agreed to be interviewed, a date and time for the interview were agreed through emails. Interviews were recorded, transcribed verbatim, and subsequently coded. Once transcriptions were coded, the data was uploaded into NVivo and analyzed. When the final write-up was completed for this dissertation, and in accordance with the participants' confidentiality agreements, the taped interviews and data were destroyed.

Although the participants' names were collected on the consent form, this information was kept separate from all information collected and recorded throughout the study. The records were kept private to the extent allowed by law. The researcher had access to the information provided during the analysis. The researcher used a study number, rather than the providers' names on study records. A code sheet containing this information was stored separately from the data to protect privacy. The information provided was stored in a password-protected computer file. Any hard copy notes, including the researchers' journal, were stored in a locked cabinet and were shredded when the final write-up was completed for this dissertation by the researcher's.

Audiotapes and related files were stored in a locked cabinet and computer files were pass-word protected, and these (and any backup files) were destroyed when the final write-up was completed for this dissertation by the researcher's. Providers' names and other facts that might point to an individual do not appear anywhere in this study, nor the published results. Providers were not identified personally.

The researcher kept a research journal throughout the data collection and analysis process. Immediately after each interview or set of interviews, the researcher made a journal entry. These journal entries included notes on the researcher's perceptions of the participants and recollections of how the participants' behavior (e.g., tone of voice and words used) during responses to the interview questions. These journal entries were helpful in allowing the researcher to recall the meanings and context of what participants said in the interviews during the analysis process and to identify any distractions or comments the researcher felt were important to the findings.

Additionally, the researcher listened for emerging patterns and themes during the process of conducting the semi-structured interviews. Thoughts on patterns and themes to be investigated during the analysis process were recorded in the researcher's journal. Because grounded theory analysis was used as a means for interpreting the data and when the transcripts were completed, the notes from the researcher's journal formed the basis for beginning the analysis procedures.

The interviews were recorded with the permission of the participants, and then the tapes were transcribed verbatim. Some notes were taken by the researcher in order to assist in accuracy and transcription, but the note taking was limited to allow the researcher to focus on the participants and their responses to questions. The transcriptions were analyzed using the constant comparative method.

Grounded theory has been used as the means of interpreting the data. According to Payne (2007), grounded theory analysis relies on systematically collecting data. As there has been some industry-driven quantitative data gathering and analysis as it relates to this dissertation topic, the academic purpose of selecting grounded theory analysis as a means for interpreting the data is to inductively expand upon current sociological-based theory or by creating new sociological theory for this phenomenon, based on analysis of the systematically collected data from a qualitative and interpretive perspective.

A key concept for this approach is *theoretical sensitivity* (Glaser, 1978), which reflects the ability to think about data in theoretical terms and integrate complex knowledge in the research situation. Strauss and Corbin (1990) define theoretical sensitivity as, “the attribute of having insight, the ability to give meaning to data, the capacity to understand, and capability to separate the pertinent from that which isn’t.” (p. 42). Theoretical sensitivity was developed further during the research process through continuous interaction with the data and the emerging theories in conceptual terms.

The analytic procedures in data coding and analysis were based on the method of constant comparison. After noting an event, it was compared to other events with respect to commonalities and differences. Constant comparison served to uncover and explain patterns and variations. Data collection and analysis were closely related and carried out in constant alteration.

Theory generation was not based on the raw data, but it was based on concepts and categories developed out of the raw data. The data coding and analysis phase of grounded theory analysis (used in this research study as a means of interpreting the data) builds on three analytic techniques: open coding, axial coding, and selective coding (Strauss, 1987; Strauss & Corbin, 1990). Open coding refers to the technique of identifying and developing categories and sub-categories in terms of their properties and dimensions. Open coding is most pertinent, and was used during early stages of this research project and data collection. Axial coding focuses on the relationships between categories and subcategories, including conditions, cause-and-effect relationships, and interactions. During the axial coding phase, sampling strived for increasing variance by including cases that seemed to contradict the evolving theories. Selective coding involved integrating categories and subcategories with a central concept and providing sufficient detail and density for the evolving theories. Sampling during the selective coding phase became very directed and deliberate to fill in additional detail, to test for further variation, and to clarify final questions near the completion of this research project.

To summarize, using grounded theory analysis as a means for interpreting the data, (1) the data collection and analysis phases was iterative, (2) the recurring concepts and their characteristics were identified and extracted, (3) systematic variation of conditions was the leading objective of the theories, (4) sampling and data collection continued until theoretical saturation occurred within the parameters of the literature evaluation, data collection, and analysis, and (5) the selection of the sampling type depended on the emerging theory which resulted in theoretical anchoring in emerging markets theory, relationship marketing theory, and consumer culture theory.

V RESEARCH RESULTS

The research results of the interview data will be presented in this chapter. Of the targeted study participant population, 8 of 12 subjects participated in confidential semi-structured interviews. First, I recap the introduced definition of underserviced consumers within the U.S. banking subsector of the financial services industry in the context of this research. Then, I describe the common themes that have emerged from the data including the current state of the transactional arena, the current state of customer relational bonds (customer relationships), and the cultural-type group orientation of underserviced consumers operating within the U.S. banking subsector of the financial services industry. Brief definitions of the constructs of transactional arena, customer relational bonds, and cultural-type group orientation are depicted in Table 2, along with illustrative quotations from various interview participants. The research question for this study is, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

As a means of collecting primary data to address the research question, semi-structured interview questions were developed around the interview participants' (banks, credit unions, and AFSP) extensive experience with consumers (underserviced and fully serviced within the U.S. banking subsector of the financial services industry), agencies (U.S. government, regulators, non-profit organizations, and consumer advocates), and with other providers (their competitors).

Definition of Underserviced Consumer within the U.S. Banking Subsector of the Financial Services Industry

This study customizes and coins the definition of *underserviced consumers within the US banking subsector of the financial services industry* as individuals ($\geq$ 18 years old) or a household that currently does not have a checking or savings account who rely on alternative financial services; and/or; individuals (≥ 18 years old) or a household that currently has a checking and/or savings account but also rely on alternative financial services. These individuals or households rely on and have used alternative financial services more than once within the last 12 months, specifically, non-bank money orders, non-bank check cashing services, non-bank remittances, non-bank bill payments, non-bank issued prepaid credit cards (open loop), payday loans, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, rent-to-own agreements, and closed loop retail agreements (layaway programs).

Construct definition	Illustration from participant interviews (providers—banks, credit unions, and AFSP)
Current state transactional arena A complex and inefficient transactional arena; buyers and sellers are not easily or efficiently able to come together	"The challenge one has regardless is the federal system. There is a tapestry of laws, many of them are not coordinated, and there are multiple regulators both that are at the federal and state level. Ensuring that one is compliant at all times with those laws is a [significant legal] expense that one needs to think about."
Current state customer relational bonds Current customer relational bonds are predominantly absent or poorly functioning; there is an inability to attract, maintain, or enhance customer relationships	"[Underserviced consumers are] fed up with working and trying to maintain an active relationship with mainstream financial services and providers to credit…."
Current state cultural-type group orientation A cultural-type group orientation of consumers with commonly shared unique psychosocial characteristics has emerged.	"I think [this environment has] created a culture."

Table 3: Illustrations of the transactional arena, current customer relational bonds, and the cultural-type group orientation of underserviced consumers

The Current State of the Transactional Arena

Although complexity may exist within developed transactional arena's (markets), the ability for buyers and sellers to easily or efficiently come together is critical for healthy market growth and sustainability. When the opposite exists and buyers and sellers are not easily, nor efficiently, able to come together, the impact could be the organic evolution (emergence) of an alternative market.

The state of the existing transactional arena includes a considerable amount of complex regulations. The regulated industry of financial services significantly increased, particularly after the 2008 global financial crisis. One theme which has materialized from the data is the existence of complex and excessive regulations within the financial services industry. These excessive and complex regulations contribute to the complexity of the current transactional arena. This research in no way advocates for the non-regulation of the financial services industry. During one interview, while discussing the impact of current regulations and its effect on mainstream financial services, the interview participant referred to the current regulatory environment as “the alphabet soup” [implying the English alphabet of the 26 letters A through Z] of regulations, to describe the excessiveness and complexity of the regulatory environment.

The unanimous voice of all participants interviewed, whether mainstream financial service providers or alternative financial service providers, was the existence and impact of excessive regulations within the current transactional arena, the complexity involved with remaining compliant to these regulations, and the substantive legal fees associated with the continuous monitoring and tracking of changes (also unanimously commented as “frequent”) within these governing regulations. As Provider 1 stated:

> *The challenge one has regardless [buyer or seller] is the federal [regulatory] system. There is a tapestry of laws, many of them are not coordinated, and there are multiple regulators both at the federal and state level. Ensuring that one is compliant at all times with those laws is a [significant legal] expense that one needs to think about [if you want to enter or operate within this marketplace].*

Although government intervention is absolutely necessary in industry, especially within the financial services industry, bad government policies have negative impacts that cause institutional weaknesses. According to economist, William Easterly (2001), bad [government] policies imply a lower rate of return to the private sector. If the post-policy rate of return falls below the required minimum rate of return, the private sector will not invest (pg. 168). Within the U.S. banking subsector of the financial services industry, institutional weaknesses have become a prime source of higher transaction costs, as Provider 2 stated:

> *There is some regulatory impact that has pushed people away from [providing] a [free] checking account. Like the Durbin amendment on interchange and some others laws [have] really increased the cost for banks to provide a [free] checking account. So banks, like any other businesses, had to react to that [regulation] and have done away with totally free checking and have raised the costs on their checking products. I think that has [played] a role in pushing more people into more things like a prepaid cards [using AFS products]. The cost of checking accounts have gone up.*

Regulations (e.g. laws) are designed to punish infractions and prevent bad behavior with the intention of protecting all involved, including consumers. However, another theme that emerges within the data provides examples of governing laws that are designed with the intention for protection, yet these laws actually have negative impact. These regulations are intended to protect, yet some punish providers for infractions that may actually be trivial, or, they are not protecting, but making it more difficult for providers to provide a service that does not allow for efficient and healthy market growth. There is complexity involved with providers remaining compliant to excessive regulations. There are substantive legal fees associated with the constant monitoring of regulations to assure compliance. As Provider 3 remarked:

Regulation [excessive regulation] impacts the potential revenue that is available in the market. I would say overall that just because things are regulated state by state [for AFSP]. The legal fees in this business are actually quite substantial because you clearly have to be on top of what is required.

In some cases, institutional weaknesses empirically linked to excessive regulation within the U.S. banking subsector of the financial services industry has become a prime source of operating challenges and has caused some providers to cease operating within certain product lines. An interview participant explains and provides an example of the effect of excessive regulation and the impact to buyers (e.g. consumers). This illustration identifies how one particular regulation was so excessive that it had a major impact on smaller banks forcing some of them to cease providing a service, as Provider 2 remarked:

How the regulations impact the consumers is more in the un-intending consequences. The regulatory perspective is that, they [regulators] are saving the customers from themselves because consumer A uses this product and consumer B uses this product, they both get treated the same way from a regulatory perspective but they're two totally different consumers, whether it be demographically, geographically, financially, educationally, etc. The regulation applies much more to the products than it does to the consumer. One example is there were some Reg-E [Regulation-E: the Electronic Fund Transfer Act] changes around remittance transfers. The intention was to try for [to target] international wire transfers. I honestly believe for the underserved that, use [wire transfers] to send money internationally to relatives overseas. However, they [the regulators] changed the definition of remittance transfers to include bank international wire transfers. While it may [have] had some good things in that, it made the pricing

> *more transparent for all parts of the bank wire transfers, the reality is that, the user base is totally different. The person who uses a wire transfer on a regular basis doesn't use a bank wire transfer and they don't come into a bank even thinking about using a bank wire transfer. The average dollar amounts are much higher on the international bank wire transfer side and it's much more of a mass affluent type product. So, the unintended consequences were: you [the regulators] really weren't protecting who [the consumers] you [the regulators] thought you were protecting. And, you [the regulators] created a whole bunch of work that actually pushed some smaller banks to stop offering the services because it was going to be too erroneous to [kind of] keep up with the regulation. The negative impact wasn't necessarily for the under-banked but really, who you [the regulators] were trying to protect [the underserviced consumers] wasn't using this particular service."*

Additionally, the results of this study yielded timely, informative, and enlightening insight into the performance (e.g., *absent or poorly functioning performance*) of specialized intermediaries within this transactional arena. For the purposes of this research, these specialized intermediaries include, but are not limited to, bankers (retail banks and credit unions), regulators (federal and state levels), and alternative financial service providers. As Provider 1 provided context by stating:

> *You've heard from people like the CEO of [a large bank, company name removed], say that they're moving more towards prime high net worth consumers and away from those that are anything but. And you look at the 6,890 banks there are in America. The majority of those are also called community banks but they rarely want to deal with small businesses. They aren't working with individuals. Consumers are a liability for many*

financial institutions [e.g. banks, credit unions]. They are the reason why so many banks are getting hit with compliance orders. It's a dangerous space for many banks to be in. And that gap is being filled by third parties: non-banks.

It is factual that regulations imposed on the financial services industry significantly increased after the 2008 financial crisis as it exposed numerous critical gaps within the transactional arena of the subprime mortgage lending subsector. According to Khanna and Palepu (2009), the 2008 financial crisis exposed the significant existence of absent or poorly functioning specialized intermediaries within the subprime lending market. As one interview participant remarked, some banks impacted the creation of new regulation which is enforced on all banks. Provider 4 remarked:

A lot of the regulation has been built to sort of counteract some of the things that caused the financial crisis [of 2008] because of the big players [references large banks] and has since made us [smaller banks] have a larger compliance cost and a lot more time spent on it [compliance].”

The data in this study also reveals that when buyers and sellers are not easily nor efficiently able to come together, thereby creating a void, organic-type market growth occurs, such as alternative financial service solutions such as the products and services that are bought and sold within the alternative financial services industry. As provider 4 remarked:

“*The marketplace [U.S. financial services industry] is starting to realize that traditional products and services aren't necessarily a match for everyone. And not everyone can be placed in, sort of these nice neat little buckets. I think that is the part where innovative products and services [AFSP] have come in [filling the void] and these sort of new products and services [AFS] have been introduced because the realization is coming* *that, not everyone can do what they want to do [manage their personal finances the way they want to] with a basic savings or a basic checking account."*

Adding to the complexity and inefficiency within this transactional arena, is inability to holistically, accurately, and effectively track all alternative financial services products and its providers, thereby, making effective regulatory monitoring and enforcement challenging for regulators of the AFS industry. AFSP is regulated at the state level and each state has different regulations. Adding to the regulatory monitoring and tracking challenges is that many alternative financial service providers companies are private equity holders or small business owners making it difficult to track. This regulatory complexity also affects the pricing structure of their products. Provider 3 identified this element as the number one factor that affects their products' pricing structure:

"*I would say the first and foremost consideration [in terms of the basis for which our fees are set] is what the regulatory infrastructure says what you [AFS providers] can charge. We are regulated by the state. Each state has its own set of regulations that determine the rate that can be charged for the product that we offer. The regulations state specifically what a company can charge (between) for a specific amount. [As an example] in California, the regulations specifically state that if it [an AFS provided installment loan product] is under $2,500, in fact if it's between $500 and up to $1,000 then, the maximum interest rate that one can charge is X, and it fluctuates up to $2,500. Then after $2,500, strangely enough, there is no regulated maximum limit on what an institution can charge on the loan."*

When buyers and sellers are not easily able to come together, the marketplace (buyers and sellers) will react and the organic growth of an alternative solution is inevitable, as evidenced by pure capitalism and free markets. As Provider 5 remarked, in terms of the consumers' reactions to this complex and inefficient transactional arena:

I think reasons [that] sort of lead people, more likely than not, to become underserviced, or unserved, or low income are [they are] reacting to a poor financial market.

The AFS industry and its products has provided *alternative options* to mainstream banking solution and seems to offer similar products and services to the basic products and services offered by retail banks and credit unions, as Provider 3 remarked:

The market [AFS products and services] is big and growing. And just more customer focused to the needs of a group of people [the underserviced within the U.S. banking subsector of the financial services industry] who would have otherwise been unserviced or rushed to an underground market.

Some products within the alternative financial services industry is concerning regulators and in some states, certain AFS products have been deemed illegal to sell and have been banned. As an example, New York State has banned payday loans, identifying it as a dangerous loan and a tool used for predatory lending. It demonstrates the impact this particular AFS products has made to the financial services industry, specifically the U.S. banking subsector in the state of New York.[20] As provider 6 remarked:

Although the regulatory environment is trying to take them [AFS providers] out of neighborhoods, they [the AFS providers and products] are still growing and growing fast.

Below is a table that depicts the similarities between basic banking products used for personal financial management and alternative financial services products offered by mainstream

[20] http://www.dfs.ny.gov/consumer/dangerousloans.htm

financial institutions (banks and credit unions, as scoped for this research) and alternative financial service providers.

BANKS (Includes Credit Unions)	**Alternative Financial Service Providers (AFSP)**
Check-Cashing	Check-Cashing
Prepaid Credit Cards (Open-Loop)	Prepaid Credit Cards (Open-Loop)
Auto Financing	Auto Financing (Buy-Here-Pay-Here)
Bill Payments	Bill Payments
Money Orders	Money Orders
Remittances: (Wire Transfers)	Remittances: (Wire Transfers)
	AFSP OFFER SMALL DOLLAR CREDIT
*Some banks were in the advanced payment industry but very few due to the controversy. Banks do not offer the small dollar credit products listed in the right column under AFSP products.	Payday Loans
	Pawn Loans
	Refund Anticipation Loans
	Buy-Here-Pay-Here Auto Financing
	Auto Title Loans
	Closed Loop Retail Agreements (Layaway Plans)
	Rent-To-Own Agreements

Table 4: Basic Products and Services Offered by Banks, Credit Unions, and AFSP

Referencing the sophistication of transactions within the AFS industry, one interview participant discusses the relative easiness to enter the AFS sector and to do well and become a disruptor with solid competition for banks. An example of solid competition or a true disruptor in the market is how Amazon.com disrupted the book industry. Another is example is how PayPal disrupted the bill payments industry. Yet another example is how eBay and E-Trade have disrupted and provided a new dynamic (economically friendly) way to conduct online trading (electronic buying and selling by way of auctioning). Provider 1 offered another example:

> *The ease of which it is to be a start-up or a disruptor [within the AFS provider space]. A company like mine can spend [X amount] and build a very good product that competes with banks. On any product. Think about [company name removed] disrupting money*

> *transmissions through banks, their online money services businesses. So, nobody is immune from disruptors or from competition, particularly technology enabled competition [which is prevalent in this transactional arena].*

As an extension of the major products in the data, is the idea that the extension of small dollar credit to include the craftiness (i.e. sophistication) of the small dollar credit product within the AFS sector is a key differential between the mainstream financial services industry and the alternative financial services industry.

The data also supports that the extension of these small dollar credit products are very attractive and that they are highly used by underserviced consumers within the U.S. banking subsector of the financial services industry. We must keep in mind that the media, with government support, has introduced this concept of the one percent (top wage earners in the USA). Our average U.S. household's checking or savings account (or a combination of the two accounts) does not encompass the FDIC insured cap of up to $250,000 being federally insured. Provider 1 remarked:

> *Banks today have an environment that is quite unusual. They have a super low cost of funds because they don't pay deposit holders a lot for their money and they also aren't making a lot of money on the loans that they're making to anyone. So in that environment, do you want to make rather big loans or small loans? And you obviously want to make big loans. Because for the same compliance customer acquisition servicing, [you name it], reduce your cost of acquisition servicing and origination and make the same amount of money. So, it is an economic situation. If banks were able to charge whatever they wanted to for any loan, I think more banks would get into*

alternative financial services space of servicing these customers again. At least from a credit space is: big banks don't want to make small loans.

For me, credit [small dollar credit] is the prime product that banks should be offering that banks are not offering. Everyone wants to serve prime customers. No one wants to serve subprime customers. Subprime customers need the capital today therefore they're going down the payday track.

In summary, the current state of the transactional arena within the U.S. banking subsector of the financial services industry is both complex and inefficient as buyers and sellers are not easily or efficiently able to come together.

This complexity and inefficiency is due to the excessive and complex governing regulations, which creates complexity for the *governed* to efficiently monitor and track. Thereby, institutional weaknesses (e.g., voids) have been created that have become a prime source of higher transaction costs and a prime source of operating challenges, which create absent or poorly performing specialized intermediaries. As a result of this inefficiency and these institutional weaknesses, the underserviced consumers within the U.S. banking subsector of the financial services industry has emerged and shifted their purchasing power to providers of alternative financial services and products operating within the AFS industry. These alternative financial service providers are filling these voids created by the institutional weakness of the current inefficient and complex transactional arena. Also attractive within the AFS industry for the underserviced consumer within the U.S. banking subsector of the financial services industry, is the extension of small dollar credit. Within the data, the extension of small dollar credit within the AFS sector has emerged as a key differentiator between traditional mainstream banking products and services.

The Current State of Customer Relational Bonds

Within the data, the empirical evidence supports the unanimous response of all mainstream financial service providers who were interviewed (all banks and credit unions) and "acknowledged their adherence to the federal regulatory obligations" for the communities they serve, which includes underserviced communities. They acknowledge adherence to the Community Reinvestment Act (CRA) which is targeted for deposit-taking institutions to reinvest in the communities they serve. While attracting and maintaining underserviced consumers, Provider 5 seemed focused on adhering to regulatory compliance:

> *I think that it [mainstream financial services trying to service the underserviced] has more to do with the economic meltdown [the image of banks as a result of] and regulatory enforcement versus wanting to be a…self-selecting to be a…better corporate citizen and a better provider of services. I think if that was the case [self-selection versus regulatory enforcement], you would only see a minority of organizations shifting in that direction [to service the underserviced] but now you're going to see more [because of regulatory enforcement and adhering to the CRA].*

When looking at the myriad of regulations in which compliance is monitored and enforced, meeting those regulations are critical, but some participant interviewees also acknowledge a community responsibility. As it relates to servicing this consumer base due to regulatory obligations, Provider 5 also stated:

> *We also have regulatory obligations, and we do want to be good citizens and ensure that we meet the level of obligations as requested. So we also have branches in low to moderate income areas and those are also based on similar type of ROI factors but also considering a need from a community and a need from a regulatory level as well.*

The results of the interview participants' feedback is the commonly shared theme that the "old school" methods of the customer relationship management of mainstream financial services providers is not working. It is no longer effective and has not been for some time now. In order to somewhat understand the underserviced consumer within the U.S. banking subsector of the financial services industry, some participants have found that using NPO's as a means to "attract" underserviced consumers has been effective for building customer relational bonds. As provider 7 remarked:

> *We will consider extending, maybe, many branches or other things in high population (high traffic) areas closer to the population that are largely underserviced within the community, but right now we will look for opportunities to distribute to communities through non-profits, maybe even employers, or other institutions that are kind of local to the communities which have high percentages of folks who are underserviced.*

As it relates to using non-profit organizations and other consumer type agencies to help with mainstream financial service providers attracting underserviced consumers within the U.S. banking subsector of the financial services industry, Provider 5 stated:

> *We work really closely with organizations in communities that work in low and moderate income neighborhoods and then also overlap with where we have a branch and a physical access point for financial services and products. We work through them to identify markets for particular products that are helpful to consumers in low and moderate income areas but also to share the breath and scope of how mainstream financial services like a bank would be important for an individual to be economically secure and able to build up their assets over time.*

As a means of attracting and sustaining committed customer relationships, some interview participants have altered their marketing strategies to *relational-type* marketing. As an example, Provider 6 remarked:

If you take our commercials today, they have changed over time. And commercials is one way to start attracting customers or keeping customers. So there are two things: attracting and sustaining our customers. Today our commercials are, and it has been this way since a year ago, is that, we're helping to manage financial lives and helping people to manage their financial life. That's different from saying "come in and open a checking account with us." The emphasis is now on helping the individual consumer with their personal finance. It's about looking at a family and how a family grows throughout time. In essence, you're really building the trust between that individual, that family, and the bank.

The marketing strategies utilized by mainstream financial service providers thus far, demonstrate an inability to "successfully relate to this cultural-type orientation of underserviced consumers within the U.S. banking subsector of the financial services industry.

Ideas for the "need of this type of consumer to be educated," have emerged within the U.S. banking subsector of the financial services industry. Some industry experts claim that, underserviced consumers within the U.S. banking subsector of the financial services industry may exude "poor personal financial management" which results in this consumer base being underserviced. Disruptive to this thought process, Provider 1 discussed the small dollar credit space:

In the credit space, those that are winding up to opine that you need to offer education, particularly financial education, to their customer base…maybe they need to be *educated. Maybe they need to change the tone of their conversation and the tone of the discussion. Talk to the customer and not talking down to the customer. We have to change the way we speak about our customers. Let that customer know what the true cost of that product is going to be, not in terms of percentage points and APRs and funny algorithms and three letter acronyms, but in dollars and cents.*

As it relates to attracting, sustaining, and enhancing committed customer relationships, Provider 6 remarked:

We're not the first to say that we don't think we have an image issue, it's not just an image issue, it's a trust issue. And, consumers today, you can put us all in the same category as we're making attorneys look really good because we're bankers.

As sellers (e.g. providers) strive to attract, maintain, and enhance committed customer relationships, the data supports the current coexistence of absent or poorly functioning relational bonds between the sellers of mainstream financial products and services (mostly banks and credit unions) and the buyers of these basic financial products and services (consumers, including the underserviced). In this environment and for the most part, mainstream financial service providers (banks and credit unions) do not seem to understand (e.g. relate to) the cultural-type orientation of underserviced consumers within this industry. In some cases the mainstream financial service providers do not seem to be very interested in conducting the necessary due diligence (e.g. research) to further understand this type of cultural group. For many participants interviewed, specifically the numerous banks and credit unions (no matter their size, small, large, regional, national, or international), the attempt to understand this cultural group has mostly been mediated through non-profit organizations (NPO) and consumer advocacy groups, and not through direct contact or direct focused group research. On the other hand, numerous AFS interview participants have identified the need to understand and provided various direct contact types of strategies used to attract, maintain, and enhance committed customer relational bonds.

In summary, from the various mainstream financial service providers interviewed, truly understanding the cultural-type orientation of the underserviced consumer in order to successfully attract, sustain, and enhance a committed customer relationship was identified as critical missing link. As Provider 6 remarked, "*we do not differentiate between an underserviced consumer and a fully banked consumer. They are the same consumer and we treat them the same.*" The results of the data supports differentiation in this type of consumer, because if there were no differentiation, then the need to attract, maintain, and enhance committed customer relationships would not be as vast as it is today. As illustrated in the example of remittances, for someone who uses an AFS wire transfer service, versus someone who uses a bank international wire transfer service, there is a different mindset (psychosocial characteristic) between these two consumers, and establishing relational bonds between the two consumers would also be different. The extension of small dollar credit within the AFS industry emerges as a key differentiator as it applies to attractive products for underserviced consumers within the U.S. banking subsector of the financial services industry, because the similarity between basic retail banking and services provided by credit unions can easily be mirrored by AFS products and services. See Table 3

Cultural-Type Group Orientation within the Current State Environment

General audience assumptions, in reference to the underserviced consumers within the U.S. banking subsector of the financial services industry, has been attributed to everything from bad credit, to non-documented workers, to non-native English speakers, to the uneducated, and even to those with criminal histories. There are sub-groups within this cultural-type group orientation that have been empirically identified. These sub-groups are economically, demographically, and geographically diverse, such as lower-income, black and Hispanic households, as well as individuals under the age of 25. White households account for half of the underserviced. Foreign-born-non-citizens (e.g. immigrants) are also highly represented. Geographically, an over representation of underserviced consumers within the U.S. banking subsector of the financial services industry exists in the South where poverty is more prevalent, and also within inner cities as 83.3 percent of the underserviced are located in metropolitan areas.[21]

The majority of participant's interviewed referred to this consumer as "low to moderate income."

Although a handful of these general audience assumptions may be applicable to some consumers, there were disruptive participant remarks such as:

> *Just on who uses our services, our demographic breakdowns, our income levels are higher than what is in the FDIC study. In other words, we have a much smaller percentage in that very lowest income level in what the FDIC study says*.

Along these same lines, demonstrating a difference to traditional thinking about who the underserviced consumers within the U.S. banking subsector of the financial services industry might encompass, Provider 4 remarked:

> *We do see there is a growing amount of people who have surfaced into that underserviced area who are not low or moderate income who choose to use alternative financial services or who just don't like the way traditional finance products and services are structured. I think traditionally that's the way it's been viewed, but it's kind of a mix now.*

---

[21] 2012. 2011 FDIC National Survey of Unbanked and Underbanked Households. Washington, DC: FDIC.

Empirical research on the underserviced consumer within the U.S. banking subsector of the financial services industry conducted by the FDIC yielded timely demographic information specific to this consumer group orientation type. The data in this FDIC study reveal elements that are specific to the banking status and the use of AFSP's products of U.S. households. [22] One-hundred twenty-thousand four-hundred and eight (120,408) U.S. households were surveyed. The interview instrument used for this research consisted of thirty-nine survey questions. See Appendix B to review these questions.

The summary results of the data are as follows:

- At least 42.9 percent of all U.S. households have used one or more of the following types of AFSP products in the past year: non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, pawnshop loans, refund anticipation loans, and rent-to-own agreements.
- At least 39.1 percent of all U.S. households have used transaction AFSP (specifically, non-bank money orders, non-bank check cashing, and non-bank remittances). More than one in five households (23.3 percent) have used a transaction AFSP products in the past year.
- 14.2 percent of all U.S. households have used credit AFSP products (specifically, payday loans, pawnshop loans, rent-to-own agreements, and refund anticipation loans). 6 percent have used a credit AFS product in the past year.
- At least 12 percent of all households used AFS products in the last 30 days, including about four in ten (40 percent) of underserviced households.

[22] Addendum to FDIC National Survey of Unbanked and Underbanked Households Use of AFS. Released June 2013. http://www.fdic.gov/householdsurvey/2013_AFSAddendum_web.pdf

- Alternative financial services (AFS) product usage seems to increase and has policy makers diligently searching for an explanation to this high visibility of growth (an area identified for future research).
- As a means to capture and understand AFS product usage, the FDIC data provides insights into national-level estimates of AFS use by household demographic characteristics, including banking status, household family type, race and ethnicity of householder, if Spanish is only language spoken in the household, nativity, age group, education, employment status, household income, homeownership, geographic region, and metropolitan status, as summarized in Table 2, pg. 71.

The results found in the data reveal useful consumer demographic and economic information:

- *Banking status--at least 23.6 percent of fully banked households have used at least one AFSP products.*
- *Household family type--compared with the national average of 42.9 percent, 43.8 percent of a family household has used AFSP products including 38.5 percent of married couples, and 41.1 percent of a nonfamily households.*
- *Race and ethnicity--compared with the national average of 42.9 percent, 63.9 percent of African-Americans, 54.4 percent of Hispanic non-Black, 37.6 percent of White, non-Black, non-Hispanic, and 27.7 percent of Asian households have used AFS.*
- *Spanish is only language spoken--Spanish is not the only language spoken in 42.5 percent of households that have used AFSP products.*
- *Nativity--compared to the national average of 42.9 percent, 42.6 percent of U.S. born, 35.8 percent of foreign-born citizen, and 53.2 percent of foreign-born non-citizen have used AFSP products.*

- *Age groups--50.4 percent of those who have used AFS products are between 25 to 34 years old, 47.6 percent are between 35 to 44 years old, 44.2 percent are between 45 to 54 years old, and 40.9 percent is between 55 to 64 years old.*
- *Education--54.8 percent who have used AFS products have no high school degree, while 46 percent have attained a high school degree, 46 percent have some college, and 32.6 percent have a college degree.*
- *Employment status--42.9 percent those who have used AFS are employed, 59.1 percent are unemployed, and 40.2 percent are not currently in the labor force.*
- *Household income per year—55 percent of those who earn less than $15,000, 49.9 of those who earn between $15,000 and $30,000, 45 of those who earn between $30,000 and $50,000, 38.8 percent of those who earn between $50,000 and $75,000, and 31.7 percent earn at least $75,000 have used AFS.*
- *Homeownership--35.8 percent of those who have used AFS are homeowners, while 56.4 are non-homeowners.*
- *Geographic region--37.3 percent of those who have used AFS are located in the South region of the USA, 22.3 percent are in the Midwest, 22.3 percent are in the West, and 18.1 percent are in the Northeast.*
- *Metropolitan status--83.3 percent of those who have used AFS are located in metropolitan areas, while 15.9 percent are not located in metropolitan areas.*

To place in the context of demonstrating relationships between subgroups, this research empirically identifies the links between these subgroups and their frequent use of AFS products, for example a high percentage are Black and Hispanic, a significant number are unemployed, a significant number earn less than $15,000 per year, a sizeable amount are foreign non-citizen households (immigrants), a fairly high representation of households are headed by non-high school graduates, a considerable number are non-homeowners, and a large representation of those underserviced within the U.S. banking subsector of the financial services industry are located in the South and within Metropolitan Areas.[23]

Although, the summary results of the FDIC data is insightful, the disruptive figure of 23.6 percent of "fully banked" households who have used at least one AFS product within the past twelve months, demonstrates that this phenomenon is not specific to just the underserviced within the U.S. banking subsector of the financial services industry. Individuals and households that have both a checking and a saving account are also using alternative financial service products. 32.6 have attained a college degree, demonstrating that a fairly high percent of educated individuals are using alternative financial services. 42.9 percent are employed, which indicates a rather high percent of employment as the payday lending industry is booming, and it requires the provider validating employment, bank account, and a source of income in order to be repaid. 38.8 percent earn between $50,000 and $75,000 annually, while 31.7 percent earn at least $75,000 annually. 43.8 percent are in a family household environment, and 83.8% are located in metropolitan areas. As an example of U.S. household income thresholds, this research uses U.S. federally funded family housing assistance programs (HDC programs) in New York City as an example. Eligibility for HDC-financed developments (Section 8 Housing/HUD) is based on household annual income before taxes and other criteria. Depending on income and family size, households may qualify for one or more programs. HDC program guidelines provide the maximum allowable income for each program, and it is the developer of the building that sets the minimum. Income is adjusted for family size. Income guidelines are based on how the

[23] Addendum to FDIC National Survey of Unbanked and Underbanked Households Use of AFS. Released June 2013. http://www.fdic.gov/householdsurvey/2013_AFSAddendum_web.pdf

Department of Housing and Urban Development (HUD) calculates the Area Median Income (AMI) of the New York City region. Income guidelines are calculated annually and are therefore subject to change on a yearly basis. The AMI for 2013 is $85,900 for a family of four.[24]

Although demographics support heavy usage of AFS products within low to moderate income households located in metropolitan areas, the results of the data do not specifically identify this phenomenon of underserviced consumers within the U.S. banking subsector of the financial services industry as a low-to-moderate income "specific" issue. The data also supports high usage of AFS products within minority groups, as 63.9 percent are African Americans, 54.4 percent are Hispanic and non-Black, and 27.7 percent are Asian However, 37.6 percent of usage is White, non-Black, and non-Hispanic, 53.2 percent are foreign-born non-citizens, and 54.8 percent have no high school degree. These types of demographics are somewhat expected in an underground economic type environment however, the insightful and disruptive information lies within the levels of education, banking status, higher income levels, and the percentage of white households.

[24] New York City Housing Development Corporation: http://www.nychdc.com/pages/Income-Eligibility.html

Household Characteristic	All Households			Any AFS					
				Has Ever Used		Has Never Used		Unknown	
	Numbers (1000s)	Pct of Row	Pct of Survey Population	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row
All Households	120,408	100%	100.0%	51,611	42.9	65,335	54.3	3,461	2.9
Banking Status									
Unbanked	9,875	100%	8.2%	7,338	74.3	2,036	20.6	501	5.1
Underbanked	24,199	100%	20.1%	24,199	100.0	-	-	-	-
Fully Banked	82,830	100%	68.8%	19,531	23.6	63,299	76.4	-	-
Banked but Underbanked Status Unknown	3,504	100%	2.9%	543	15.5	-	-	2,961	84.5
Household Family Type									
Family household	78,826	100%	65.5%	34,509	43.8	42,255	53.6	2,062	2.6
Female householder, no husband present	15,575	100%	19.8%	9,221	59.2	5,898	37.9	456	2.9
Male householder, no wife present	5,661	100%	7.2%	3,109	54.9	2,346	41.4	206	3.6
Married couple	57,591	100%	73.1%	22,179	38.5	34,011	59.1	1,400	2.4
Nonfamily household	41,479	100%	34.4%	17,042	41.1	23,042	55.6	1,395	3.4
Female householder	21,688	100%	52.3%	8,082	37.3	12,803	59.0	803	3.7
Male householder	19,791	100%	47.7%	8,960	45.3	10,239	51.7	591	3.0
Other	102	100%	0.1%	60	58.7	37	36.7	5	4.6
Race and Ethnicity of Householder									
Black	16,046	100%	13.3%	10,242	63.8	5,170	32.2	633	3.9
Hispanic non-Black	13,710	100%	11.4%	7,461	54.4	5,880	42.9	369	2.7
Asian	4,985	100%	4.1%	1,381	27.7	3,439	69.0	165	3.3
American Indian/Alaskan	1,389	100%	1.2%	793	57.1	553	39.8	44	3.2
Hawaiian/Pacific Islander	267	100%	0.2%	138	51.9	126	47.0	3	1.1
White non-Black non-Hispanic	83,988	100%	69.8%	31,580	37.6	50,167	59.7	2,241	2.7
Other non-Black non-Hispanic	23	100%	0.0%	NA	NA	NA	NA	NA	NA
Spanish is Only Language Spoken									
Spanish is not only language spoken	117,940	100%	98.0%	50,083	42.5	64,470	54.7	3,388	2.9
Spanish is only language spoken	2,467	100%	2.0%	1,528	61.9	865	35.1	74	3.0
Nativity									
U.S-born	104,143	100%	86.5%	44,416	42.6	56,819	54.6	2,908	2.8
Foreign-born citizen	8,380	100%	7.0%	3,000	35.8	5,124	61.1	256	3.1
Foreign-born non citizen	7,885	100%	6.5%	4,195	53.2	3,392	43.0	298	3.8
Age Group									
15 to 24 years	6,299	100%	5.2%	3,429	54.4	2,717	43.1	154	2.4
25 to 34 years	20,374	100%	16.9%	10,276	50.4	9,588	47.1	510	2.5
35 to 44 years	21,414	100%	17.8%	10,190	47.6	10,714	50.0	511	2.4
45 to 54 years	24,658	100%	20.5%	10,887	44.2	12,973	52.6	798	3.2
55 to 64 years	22,036	100%	18.3%	9,015	40.9	12,398	56.3	623	2.8
65 years or more	25,625	100%	21.3%	7,815	30.5	16,946	66.1	865	3.4
Education									
No high school degree	14,321	100%	11.9%	7,854	54.8	5,951	41.6	515	3.6
High school degree	34,462	100%	28.6%	15,851	46.0	17,458	50.7	1,152	3.3
Some college	34,010	100%	28.2%	15,655	46.0	17,508	51.5	846	2.5
College degree	37,615	100%	31.2%	12,251	32.6	24,417	64.9	947	2.5
Employment Status									
Employed	72,580	100%	60.3%	31,124	42.9	39,618	54.6	1,839	2.5
Unemployed	6,779	100%	5.6%	4,004	59.1	2,608	38.5	167	2.5
Not in labor force	41,049	100%	34.1%	16,484	40.2	23,109	56.3	1,456	3.5
Household Income									
Less than $15,000	19,541	100%	16.2%	10,745	55.0	8,139	41.6	657	3.4
Between $15,000 and $30,000	22,073	100%	18.3%	11,016	49.9	10,248	46.4	808	3.7
Between $30,000 and $50,000	24,787	100%	20.6%	11,157	45.0	12,948	52.2	683	2.8
Between $50,000 and $75,000	21,975	100%	18.3%	8,532	38.8	12,891	58.7	552	2.5
At Least $75,000	32,032	100%	26.6%	10,161	31.7	21,110	65.9	761	2.4
Homeownership									
Homeowner	79,144	100%	65.7%	28,318	35.8	48,548	61.3	2,278	2.9
Non-homeowner	41,264	100%	34.3%	23,293	56.4	16,787	40.7	1,183	2.9
Geographic Region									
Northeast	21,784	100%	18.1%	8,653	39.7	12,494	57.4	637	2.9
Midwest	26,900	100%	22.3%	10,740	39.9	15,340	57.0	820	3.0
South	44,920	100%	37.3%	21,202	47.2	22,446	50.0	1,271	2.8
West	26,804	100%	22.3%	11,016	41.1	15,055	56.2	734	2.7
Metropolitan Status									
Metropolitan Area	100,311	100%	83.3%	42,350	42.2	54,983	54.8	2,978	3.0
Inside principal city	33,636	100%	33.5%	15,540	46.2	17,040	50.7	1,056	3.1
Not inside principal city	49,548	100%	49.4%	19,478	39.3	28,602	57.7	1,467	3.0
Not identified	17,127	100%	17.1%	7,332	42.8	9,341	54.5	454	2.7
Not in metropolitan area	19,193	100%	15.9%	8,789	45.8	9,938	51.8	466	2.4
Not Identified	903	100%	0.7%	473	52.3	413	45.8	17	1.9

Table 5: 2011 FDIC National Survey of Unbanked and Underbanked Households–Use of AFSP

The results of the data has also identified commonly shared psychosocial characteristics that have been empirically linked to this underserviced consumer group within the U.S. banking subsector of the financial services industry. As Provider 5 stated, "*I think [this environment has] created a culture*."

Within this culture, the results identify a "*lack of trust*" for financial services institutions as a commonly shared characteristic, as Provider 6 remarked:

> *Let us go back to the consumer market and why are they [the underserviced consumer within the U.S. banking subsector of the financial services industry] is growing. I don't think it's all to do with education [a lack of education in personal financial management]. It does, in my opinion, have to do with how people don't trust financial institutions.*

As it relates to the results, identifying the commonly shared psychosocial characteristic of a lack of trust in financial services institutions for this consumer group type, Provider 7 stated:

> *A lot of people are unhappy with [e.g. do not trust] their bank and financial services in general.*

Within the results, some data links this "present" lack of trust in financial services institutions to the 2008 financial crisis, however, the identification of a commonly shared psychosocial characteristic of a lack of trust in financial services institutions for this consumer group type, Provider 7 also stated:

> *[After the economic meltdown] there are some consumers who are just fed up with [don't trust] banks…*

Within this culture, the results also identify a "want for total control of all monies" as a commonly shared characteristic of the underserviced consumer within the U.S. banking subsector of the financial services industry. Many underserviced consumers seem to operate within a cash economy as a means of personal financial management as this practice of "*operating with cash*" demonstrates a control of all monies, as Provider 3 remarked:

Many of them [our customers] choose to pay [make payments on loans extended to them from us] in person in cash.

From a credit perspective, the payday lending industry affords the consumer the ability to take out a "cash loan" in advance of receiving an upcoming payday. Some loans cover the individual's entire expected pay check. On the other hand, the check-cashers will cash the individuals paycheck for a fee, and the end result is the individual receives cash and the check-casher receives their fee for the transaction. The individual with the cash has total control of all of their monies, as Provider 5 remarked:

[Payday lending] is really convenient right, you just go bring in your check, you're done, you have all the cash you need.

Within this culture, the results additionally identify a "*dislike for lengthy [perceived lengthy] processes*" as a commonly shared characteristic of the underserviced consumer within the U.S. banking subsector of the financial services industry. This consumer group "*wants convenience*," as Provider 5 also noted:

I think [this environment has] created a culture [of underserviced consumers within the U.S. banking subsector of the financial services industry]. Because then, you have this person talking to this person saying you know what, you can go that route [use a bank] or, [just conveniently] pick up this prepaid card or just [conveniently] go across the street to take care of what you need to take care of.

Additional results that identify this consumers' "*dislike for lengthy [perceived lengthy] processes*" is identifying the options of using a bank versus going to an AFSP. *Convenience* is key for this underserviced consumer group cultural type group orientation as another participant remarks (which would be considered disruptive as the remark was provided by a mainstream financial service provide) that said:

> *I think that the [more convenient] alternative [for an underserviced consumer] is to go to a payday lender. You go, you don't even need to write check [using payday lending and AFSP], you just go, you [can] pay your utility bills, you're done and you leave. You also know exactly what you're going to pay [in terms of fees for cashing the check] and you know that you don't have to deal with the flow of depositing a paper check and waiting for it to clear [check cashing process of mainstream financial services].*

Another disruptive remark by a different mainstream financial service provider as it relates to the convenience of AFS products, as the participant remarks:

> *[Although] alternative financial services may be more costly to individuals, individuals elect to use because they may be more convenient or so many things what have you…*

The results within the data, identify another commonly shared psychosocial characteristic of this cultural-type oriented group. The results have depicted that, this consumer is in-tune with their finances, particularly their debt. This does not imply effective personal financial management, however, they "*know what they owe and to whom they owe it*." Specific to their debt and whom they owe, Provider 1 uses this consumer types experiences as additional validation of being keen to their debt and being aware of whom they owe as this participant remarks:

[In the credit space] I think these customers [underserviced consumers within the U.S. banking subsector of the financial services industry] know so much about financial services and financial lack from being unemployed, over employed, on the streets, off the streets, who knows? These customers [underserviced consumers within the U.S. banking subsector of the financial services industry] are dollars and cents customers and that's the education. Because frankly when [these] customers are spoken to in terms of APRs and basis points and all these other things, they don't know what that is about. But, they do know what a dollar is worth and they do know that there is one-hundred cents to that dollar.

Another commonly shared psychosocial characteristic that has been identified and empirically linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is that this cultural-type orientation "*is not interested in longer term personal financial strategy planning*." Provider 2 placed this in the context of how we (individual or households in the U.S.) save for our future, using the 2008 financial crisis as an example:

Fundamentally, you need to save 10 percent of what you make. I would argue that most Americans don't live by this even if you have a lot of money. Look at this last economic downturn, fundamental problem in our society. NOT just underserviced. We're such a "we've got to have it now." I can only speak for the USA. I just think we don't save enough as a whole in the USA to be able to when you have bad time, medical, or buy tires for your car.

An additional commonly shared psychosocial characteristic that has been identified and empirically linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is this cultural-type group "*doesn't need to build a committed relationship with their sellers*." This is different from convenience as commitment insinuates some sort of active relationship management, as Provider 5 remarked:

> *[Underserviced consumers are] fed up with working and trying to maintain an active relationship with mainstream financial services and providers of credit…*

Another interview participant emphasized the 'non-commitment" of this consumer within the U.S. banking subsector of the financial services industry and payday lenders:

> *There's no sort of active management [with payday lenders]…*

The results within the data, identify another commonly shared psychosocial characteristic of this cultural-type oriented group. The results have depicted that the underserviced consumers within the U.S. banking subsector of the financial services industry gravitate towards technology-oriented solutions and are heavy technology users. This cultural-type group orientation "*likes technology*." Many of these consumers use online solutions and are internet users, mobile phones and smart phone users. As Provider 4 remarked, reference the use of technology and the role it plays within this industry to include attracting and communicating within this marketplace:

> *I think it's hard to even separate [technology from this industry]. Technology is so key to [the] financial services [industry] and if you don't have products that work well with it [technology] like online banking and things like that, I really don't think you can make it.*

Provider 3 also remarked on technology, as it specifically relates to the underserviced consumer within the U.S. banking subsector of the financial services industry:

> *A lot of our communications with our customers though they could be in person, we use technology, particularly in text messaging to remind customers that they have a payment*

coming up, to let them know the status of their application, and to let them know it's been a couple of days since their loan was due. More routine communicating [for us] can be done by text messaging.

Technology plays such a critical role in communicating as provider 5 remarks referenced the use of technology:

We do a lot of work when it comes to using organizational text messaging or providing information on accounts that you may already have. We also utilize mobile banking in terms of providing information to consumers.

The results within the data identifies another commonly shared psychosocial characteristic of this cultural type oriented group. The results have additionally depicted that, the underserviced consumer within the U.S. banking subsector of the financial services industry also gravitates towards electronically mediated communication (e.g. social media). This cultural-type group orientation "*likes social media*." Many of these consumers have social network accounts and some providers' business models are built around social media, as Provider 8 remarked:

Our standard customer for a borrower is someone who has a social network account and a mobile phone, that's our standard.

Provider 5 noted that

We do a lot of work around social media.

Another provider identified the use of social media as a means of communicating and marketing to their consumers:

Social media is another way [that we communicate and market to our consumers]

In summary, various commonly shared psychosocial characteristics have been identified and empirically linked to underserviced consumers within the U.S. banking subsector of the financial services industry, thereby creating a cultural-type orientation for this consumer group. This set of unique psychosocial characteristics consist of a lack of trust for financial services institutions, a want for total control of all of their monies, a dislike for lengthy [perceived lengthy] processes, knowing what they owe and to whom they owe it, a disinterest in longer term personal financial management planning, no need to build a committed relationship with their sellers, a like for technology, and a like for electronically mediated communication (e.g. social media).

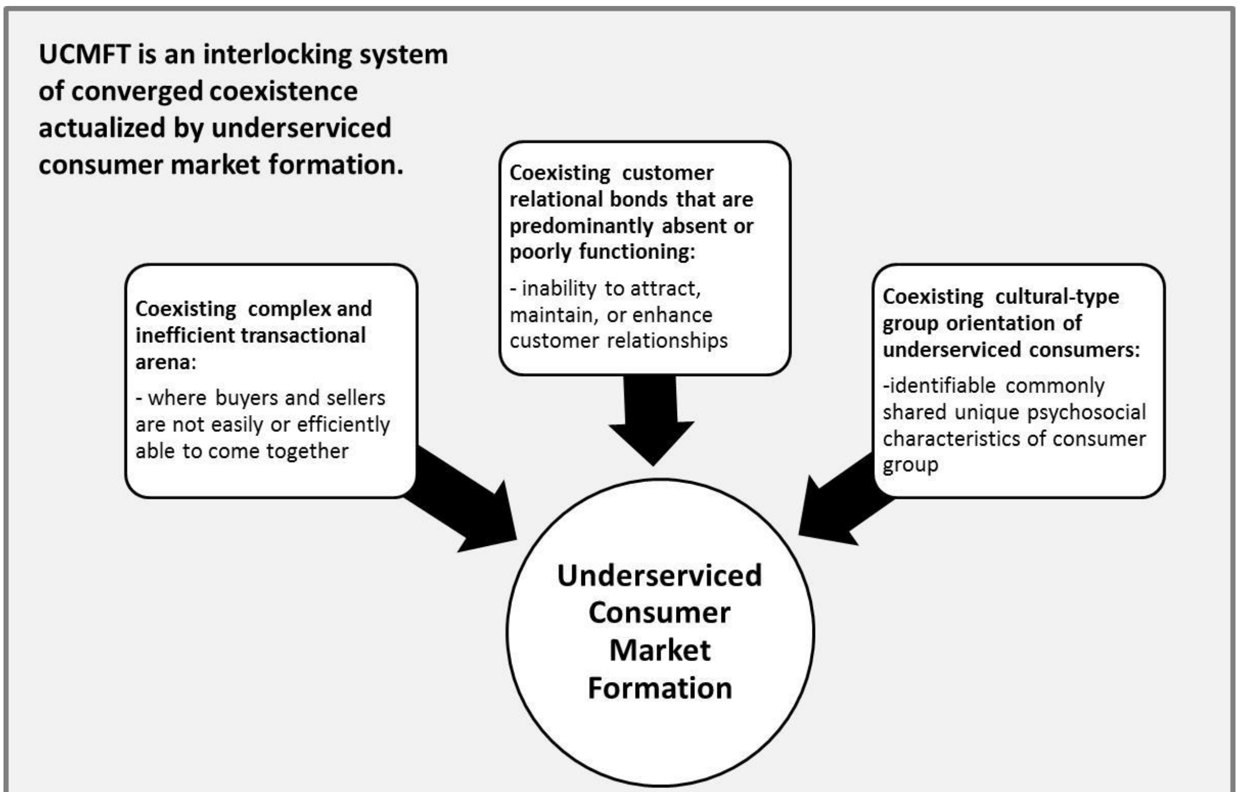
VI ANALYSIS OF RESULTS

This chapter explicates the connections between the results and the literature. It introduces a new generalizable social theory posited as underserviced consumer market formation theory (UCMFT), as summarized in Figure 6. It then takes this newly introduced theory and applies it to address the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

Critical to the development of UCMFT is the grounding within emerging markets theory, relationship marketing theory, and consumer culture theory, which all have overlapping roots in economics, ethnography, and psychology. Also, critical to the development of UCMFT is the empirical identification and linking of commonly shared “unique psychosocial characteristics” of the predominant consumers (e.g. buyers) within the industry being studied or encompassed by the research.

A more appropriate academic branding of UCMFT focuses on the core theoretical basis of underserviced consumers market formation within the industry targeted or encompassed by the research. *Generalizability* for UCMFT includes the researcher(s) clearly defining the industry being studied, clearly defining the term *underserviced consumers* in the context of the industry being studied, and the empirical identification and linking of the unique psychosocial characteristics to the predominant consumers (e.g. buyers) within the industry being studied or encompassed by the research.

This research offers the term “Underserviced Consumer Market Formation Theory” (UCMFT) as *a generalizable social theory that explains underserviced consumer market formation.* It is an interlocking system of converged coexistence, actualized by underserviced consumer market formation. It is comprised of a set of theoretically grounded synergistic conditions, merged with a set of unique psychosocial characteristics which have been empirically linked to the predominant consumer group *(*e.g. buyers*)* within the industry targeted or encompassed by the research. Furthermore, this interlocking system of converged coexistence includes converging the coexistence of a complex and inefficient transactional arena, the coexistence of customer relational bonds that are predominantly absent or poorly functioning, and the coexistence of a cultural-group orientation of predominant consumers (buyers). See Figure 6



Note: Generalizability for Underserviced Consumer Market Formation Theory (UCMFT) includes the researcher(s): clearly defining the industry being studied; clearly defining the term *underserviced consumers* in the context of the industry being studied; and the empirical identification and linking of unique psychosocial characteristics to the predominant consumers (e.g. buyers) within the industry being studied or encompassed by the research.

Figure 6: Underserviced Consumer Market Formation Theory (UCMFT)

This new generalizable social theory (e.g. UCMFT) is then applied to the U.S. banking subsector of the financial services industry in order to address the research question of: Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry?

Before moving further into the detailed interpretation of the analysis of results and their implications, it is important to revisit the definition of an underserviced consumer within the U.S. banking subsector of the financial services industry. This study defines an *underserviced consumer within the US banking subsector of the financial services industry* as: individuals ($\geq$ 18 years old) or a household that currently does not have a checking or savings account who rely on alternative financial services (AFS), and/or; individuals ($\geq$ 18 years old) or a household that currently has a checking and/or savings account but rely on AFS. These individuals or households rely on and have used alternative financial services providers (AFSP) products more than once within the last 12 months, specifically, non-bank money orders, non-bank check cashing services, non-bank remittances, non-bank bill payments, non-bank issued prepaid credit cards (open loop), payday loans, rent-to-own agreements, pawn loans, refund anticipation loans, buy-here-pay-here auto financing, auto title loans, and closed loop retail agreements (lay-away programs).

The analysis of results for this study has provided insight into the varying aspects of this emerging market and explains the reasons for its formation. Based upon the empirical findings of the data and the empirical evidence supported by the literature, an emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry can be explained using the underserviced consumer market formation theory (UCMFT).

The analysis of research results has uncovered the presence of an interlocking system of converged coexistence, actualized by the emergence of an underserviced consumers market within the U.S. banking subsector of the financial services industry. Heretofore, using UCMFT as the means of directly addressing the research question is empirically supported. Furthermore and supported by UCMFT, the results analysis has discovered the coexistence of a complex and inefficient transactional arena where buyers and sellers are not easily or efficiently able to come together; the coexistence of customer relational bonds that are predominantly absent or poorly functioning thereby creating an inability for U.S. banks (credit unions included) to attract, maintain, or enhance customer relationships; and the coexistence of a cultural-type group orientation of predominant consumers (e.g. the underserviced) that have been empirically identified and linked by commonly shared unique psychosocial characteristics. See Figure 7.

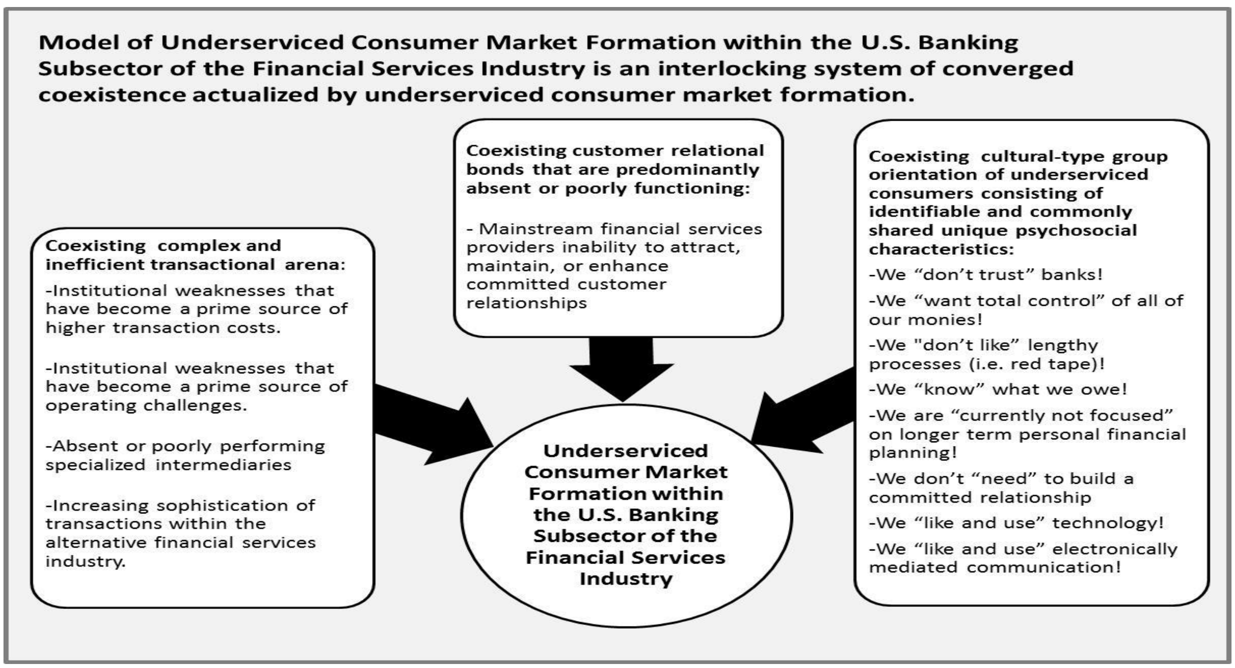


Figure 7: Model of Underserviced Consumer Market Formation within the U.S. Banking Subsector of the Financial Services Industry[25]

[25] Figure 7: The identifiable and commonly shared unique psychosocial characteristics listed for the underserviced consumers within the U.S. banking subsector of the financial services industry are not actual quotes from any research participant(s), yet paraphrasing of -results analysis.

In support of UCMFT, the analysis of results empirically support the coexistence of a complex and inefficient transactional arena whereby buyers and sellers are not easily or efficiently able to come together as evidenced by institutional weaknesses that have become a prime source of higher transaction costs, institutional weaknesses that have become a prime source of operating challenges, absent or poorly performing specialized intermediaries, and the increasing sophistication of transactions within the alternative financial services industry.

Institutional Weaknesses that have become a Prime Source of Higher Transaction Costs

Heavy regulation has been unanimously identified as an institutional weakness that has become a prime source for higher transaction costs. As Provider 1 remarked: "*The challenge one has regardless is the federal system. There is a tapestry of laws, many of them are not coordinated, and there are multiple regulators both that are at the federal and state level. Ensuring that one is compliant at all times with those laws is a [significant legal] expense that one needs to think about*." As mentioned in the literature review, heavy regulation and market forces upon organizations, (providers within this industry), will enact different strategic responses as a result of the institutional pressures toward conformity (regulations) that are exerted upon them. The consequences of organizational resistance will also be an organizational trade-off as banks are losing customers. A few examples in recent years are increases in minimum checking account balances and additional fees such as overdraft fees, as factors driving some consumers to alter their banking behaviors, such as voluntarily using AFS products and services (Bernell, 2013; Damar, 2009; and Lusardi, 2001). In their accounts of heavy regulation impacting transaction costs, Provider 2 said, *there is some regulatory impact that has pushed people away from [providing] a [free] checking account. Like the Durbin amendment on interchange and some others laws [have] really increased the cost for banks to provide a [free]* *checking account.* As mentioned in the literature review, and also supported by the unanimous voice of all participants interviewed no matter mainstream financial service providers or alternative financial service providers is *the existence and impact of excessive regulations [e.g. identified as an institutional weakness] within the current transactional arena,* are a prime source of higher transaction costs, which are then, passed onto consumers.

Institutional Weaknesses that have become a Prime Source of Operating Challenges

Another recurrent theme that emerges from the analysis of results was a sense amongst the majority of interviewees, when taken together, heavy regulation coupled with the costs of funds has become a prime source of operating challenges in the market. The literature supports that large commercial banks operate in a far more dynamic marketplace (Haggerty, 1988) and that the cost of funds fluctuates so rapidly that there is increased competition from both inside and outside the traditional banking industry. As Provider 3 remarked, "*Regulation [excessive regulation] impacts the potential revenue [e.g. operating challenge] that is available in the market.* Provider 4 discussed the operating challenges caused by excessive regulations as an institutional weakness: "*A lot of the regulation has been built to sort of counteract some of the things that caused the financial crisis [of 2008] because of the big players [references large banks] and has since made us [smaller banks] have a larger compliance cost and a lot more time spent on it [compliance – operating challenge].*"

The results of this study supports the existence of institutional weaknesses that have become a prime source of operating challenges for both banks and alternative service providers in this emerging market of underserviced consumers.

Absent or Poorly Performing Specialized Intermediaries

Aligning with the scope of this research topic, the existence of absent or the poor performance of banks or credit unions (e.g. specialized intermediaries) has been empirically identified, as noted by Provider 1:

At least from a credit space is: big banks don't want to make small loans. For me, credit [small dollar credit] is the prime product that banks should be offering that banks are not offering. Everyone wants to serve prime customers. No one wants to serve subprime customers. Subprime customers need the capital today. Therefore they're going down the payday track [e.g. payday loans].

Also, referring to banks and credit unions as poorly performing specialized intermediaries in the literature review, supply-side explanations hypothesize that alternative financial service providers, especially payday lenders, are filling a market void resulting from conventional providers reducing their services to these customers. (Temkin & Sawyer, 2004). As Provider 3 remarked,

The market [AFS products and services] is big and growing. And just more customer focused to the needs of a group of people [the underserviced within the U.S. banking subsector of the financial services industry] who would have otherwise been unserviced or rushed to an underground market.

Similarly, Provider 1 remarked,

You've heard from people like the CEO of [a large bank, company name removed yet eluding to the poor performance of this specialized intermediary], say that they're moving more towards prime high net worth consumers and away from those that are anything but. And you look at the 6,890 banks there are in America, the majority of those are also called community banks but they rarely want to deal with small businesses. They aren't working with individuals.

Consumers are a liability for many financial institutions [e.g. banks, credit unions]. They are the reason why so many banks are getting hit with compliance orders. It's a dangerous space for many banks to be in. And that gap is being filled by third parties: non-banks. When it comes to absent or poorly performing specialized intermediaries, this research supports that banks and credit unions are not (and in many cases are legally prohibited from) offering small dollar credit. Also, the larger banks seek to service prime customers, whereas the empirical data analysis shows a mixture within the underserviced consumer market of both prime and subprime customers.

Increasing Sophistication of Transactions for Alternative Financial Services Industry

Rounding out the empirical support of the coexistence of a complex and inefficient transactional arena, supported by both the literature and the data, is the increasing sophistication of transactions within the alternative financial services industry. One theme that emerged from the analysis and as remarked by Provider 6 is that,

Although the regulatory environment is trying to take them [AFS providers] out of neighborhoods, they [the AFS providers and products] are still growing and growing fast.

Also supported by the literature is that while some researchers, academics, and policy makers suggest that the fringe economy preys upon low-income individuals and causes years of spiraling debt due to high interest rates and fees, others warn that, despite the negative outcomes, alternative financial services and products are the only means by which low-income households can survive economic crises (Hawkins, 2011; Karger, 2007). The data supports Provider 1's remark that,

> *The ease of which it is to be a start-up or a disruptor [within the AFS provider space]. A company like mine can spend [X amount] and build a very good product that competes*

with banks. On any product. Think about [company name removed] disrupting money transmissions through banks, their online money services businesses. So, nobody is immune from disruptors or from competition, particularly technology enabled competition [which is prevalent in this transactional arena and amongst alternative financial service providers].

The literature also supports building upon the cultural relationship between financial institutions, the impact of technology (e.g., electronic banking and technology-based interactions), and consumers. The literature supports a cultural shift trending away from check-writing and toward electronic and emerging payment methods. As Provider 4 remarked,

The marketplace [U.S. financial services industry] is starting to realize that traditional products and services aren't necessarily a match for everyone. And not everyone can be placed in, sort of these nice neat little buckets. I think that is the part where innovative products and services [AFSP] have come in [filling the void] and these sort of new products and services [AFS] have been introduced because the realization is coming that, not everyone can do what they want to do [manage their personal finances the way they want to] with a basic savings or a basic checking account." \

As mentioned in the literature review, emerging products and technologies could transform the alternative financial services sector (Bradley et. al, 2009). Taken together, these results suggest an increasing sophistication of transactions within the alternative financial services industry.

Also in support of UCMFT, the analysis of results empirically support the coexistence of customer relational bonds that are predominantly absent or poorly functioning, thereby creating an inability for mainstream financial service providers (e.g. banks and credit unions, as scoped for this research topic) to attract, maintain, or enhance customer relationships.

As mentioned in the literature and drawing the most direct parallel to the conceptual design of marketing financial products and services in the U.S. is the level of importance that customer relationships can be measured, because empirical evidence concludes that two-thirds of customers stop doing business with a particular organization because they have received poor customer service (LeBeouf et. al., 1989 & Grubb, 1967). Attracting a new customer to replace a lost one takes five times as much effort, time, and money as it would have taken to keep the existing one (Jinkook, 2002 and Seller, 1989). Hence establishing and maintaining committed customer relationships has been the critical focus of attracting and sustaining customers within the U.S. financial services industry, including the banking subsector. Also supported by the data and literature, rapidly changing circumstances have prompted a number of significant changes in traditional bank management to include the marketing of its financial products and services (Pranjana, 2009; Wang, 2005; Wong & Perry, 1991). As the data supports, Provider 6 remarked,

> *If you take our commercials today, they have changed over time. And commercials is one way to start attracting customers or keeping customers. So there are two things: attracting and sustaining our customers. Today our commercials are, and it has been this way since a year ago, is that, we're helping to manage financial lives and helping people to manage their financial life. That's different from saying "come in and open a checking account with us." The emphasis is now on helping the individual consumer with their personal finance. It's about looking at a family and how a family grows throughout time. In essence, you're really building the trust between that individual, that family, and the bank.*

The literature review mentions Clee and Wicklund's (1980) findings that, if advertisements are perceived as manipulative, it could lead to reactance effects in consumers. Too much product information, if perceived as a barrier that must be assimilated and understood before one can, in good faith, purchase a product could generate reactance effects; the consumer may react to such information overload as a threat to his or her freedom to make a purchase. The literature review also mentions that each week, banks send out millions of documents with no aim other than to push information to their customers and when the content and design of that information has not changed in over twenty years, it is not surprising that most people do not read it. As one participant remarked,

We do not differentiate between an underserviced consumer and a fully banked consumer. They are the same consumer and we treat them the same.

The results of this study has provided empirically supported insights into the underserviced consumer within the U.S. banking subsector of the financial services industry, as one key theme that has emerged from this analysis is that underserviced consumers are not the same as a fully banked consumers, and a successful marketing strategy within this emerging market does not encompass a *one size fits all* customer relational approach.

As the literature review also mentions, banks face a dilemma of how to find the right balance between being human and approachable, while maintaining the right distance, being trustworthy and respectable. These findings have important implications for the subject matter as their survey results reveal that banks are too formal and do not communicate in terms that many of their customers understand. Supporting the analysis of results, Provider 6 remarked, *We're not the first to say that we don't think we have an image issue, it's not just an image issue, it is a trust issue. And, consumers today, you can put us all in the same category as we're making attorneys look really good because we're bankers.*

The literature review supports the poor customer relational bonds from banks and credit unions, and consumers state that they often "felt like a number" to their financial institutions and did not receive clear, helpful, nor consistent information from the bank employees with whom they spoke. As Provider 1 remarked,

"*In the credit space, those that are winding up to opine that you need to offer education, particularly financial education, to their customer base…maybe they need to be educated. Maybe they need to change the tone of their conversation and the tone of the discussion. Talk to the customer and not talking down to the customer. We have to change the way we speak about our customers. Let that customer know what the true cost of that product is going to be, not in terms of percentage points and APRs and funny algorithms and three letter acronyms, but in dollars and cents."*

The analysis of results of this study indicate absent or poorly functioning customer relational bonds with underserviced consumers within the U.S. banking subsector of the financial services industry. I have applied the Morgan and Hunt key mediating variable model of relationship marketing (page 53) to our results within the model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry, as shown in Figure 7. Broad themes have emerged from our analysis to include the character traits of a lack of trust and a desire for a committed relationship with banks and/or credit unions from the underserviced consumer within the U.S. banking subsector of the financial services industry. Interestingly enough, when applying these character traits (e.g. a lack of trust and non-relationship commitment) to the Morgan and Hunt KMV model, our findings are further validated. As an example, when trust is negative (non-existent), uncertainty becomes positive, and our results show that this consumer group is uncertain about the structure of banking products to include the fees attached to checking accounts. Cooperation turns negative, as empirically supported by our findings, as this consumer type uses alternative means to manage their personal finances, which is outside of traditional banking. The propensity to leave turns positive, which is also evidenced by our findings in the validated continuous usage of alternative financial services (instead of traditional banks) to manage their personal financial management. And, acquiescence turns negative as evidence by their non-commitment to banks and credit unions. See Figure 8.

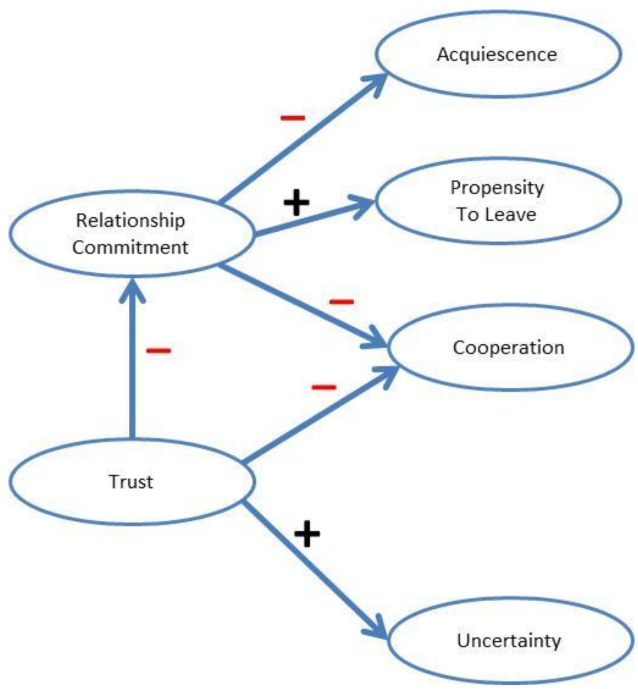


Figure 8: Applying Morgan and Hunt Key Mediating Variable Model of Relationship Marketing and the Model of Underserviced Consumer Market Formation Theory

Closing out alignment to UCMFT, the analysis of results empirically support the coexistence of a cultural-type group orientation of predominant consumers (the underserviced) which have been empirically linked to identifiable commonly shared unique psychosocial characteristics, listed as we don't trust banks (credit unions included), we want total control of all of our monies, we don't like lengthy processes (red tape), we know what we owe, we are "currently not focused" on longer term personal financial planning, we don't "need" to build committed customer relationships, we like and use technology, and we like and use electronically mediated communication.

A common view amongst interviewees was the creation of a cultural group of underserviced consumers within the U.S. banking subsector of the financial services industry. As Provider 4 remarked,

> *We do see there is a growing amount of people who have surfaced into that underserviced area who are not low or moderate income who choose to use alternative financial services or who just don't like the way traditional finance products and services are structured. I think traditionally that's the way it's been viewed, but it's kind of a mix now.*

As another participant (Provider 5) blatantly remarked,

> "*I think [this environment has] created a culture*."

We don't trust banks (credit unions included). When talking about the characteristics of an underserviced consumer within the U.S. banking subsector of the financial services industry, Provider 6 said,

> *Let us go back to the consumer market and why are they [the underserviced consumer within the U.S. banking subsector of the financial services industry] is growing. I don't*

think it's all to do with education [a lack of education in personal financial management]. It does, in my opinion, have to do with how people don't trust financial institutions.

Similarly, Provider 7 said, *[After the economic meltdown] there are some consumers who are just fed up with [don't trust] banks…* Another interviewee remarked, *A lot of people are unhappy with [e.g. do not trust] their bank and financial services in general.*

The empirical evidence clearly identifies a lack of trust for retail banking institutions (e.g. banks and credit unions as scoped for this research). Additionally and as mentioned in the literature review, the "banking experience for these consumers," many underserviced consumers within the U.S. banking subsector of the financial services industry have had negative experiences with financial institutions and have turned elsewhere for financial services. Most often, these consumers feel these alternatives are more convenient, offer more control, and are more transparent about their fees. One commonly shared unique psychosocial characteristic that has been empirically identified as a results of this analysis and linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is "they don't trust banks (e.g. credit unions included)."

We want total control of all of our monies. When talking about the behavioral patterns of underserviced consumers within the U.S. banking subsector of the financial services industry, Provider 3 said: *Many of them [our customers] choose to pay [make payments on loans extended to them from us] in person in cash,* while provider 5 remarked, *[payday lending] is really convenient right, you just go bring in your check, you're done, you have all the cash you need.* When taken together, the literature and data support the characteristic of this consumer wanting total control of all of their monies. As mentioned in the literature review, these consumers are tuned into their personal finances and demand complete control of their monies. They do not like bank-issued credit or debit cards because it is too easy for them to spend more than they have available, thereby incurring fees. Specifically, the literature reveals that "cost, convenience, and control" are important qualities factored into a consumer's banking selection (Bernell, 2013 and Carten, et. al. 2007). Another commonly shared, unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to underserviced consumers within the U.S. banking subsector of the financial services industry is "they want total control of all of their monies."

We don't like lengthy process (red tape). When analyzing the characteristics of an underserviced consumer within the U.S. banking subsector of the financial services industry, the literature review mentions that the demand explanations hold that consumers of the AFSP products prefer to conduct their financial transactions with nonbanks (Temkin and Sawyer, 2004). These customers (e.g. the underserviced) are willing to pay relatively high fees for the conveniences of location, hours, and the ability to conduct several transactions at the same time – such as cashing checks, paying bills, and wiring money. (Stegman and Faris, 2003). The characteristic of "we don't like lengthy processes (e.g. they don't like to wait/red tape) has been identified and linked to this type of consumer. As one participant remarked,

> *[Although] alternative financial services may be more costly to individuals, individuals elect to use because they may be more convenient or so many things what have you.*

Yet, provider 5 remarked,

> *I think [this environment has] created a culture [of underserviced consumers within the U.S. banking subsector of the financial services industry]. Because then, you have this person talking to this person saying you know what, you can go that route [use a bank]*

or, [just conveniently] pick up this prepaid card or just [conveniently] go across the street to take care of what you need to take care of.

Another participant remarked,

I think that the [more convenient] alternative [for an underserviced consumer] is to go to a payday lender. You go, you don't even need to write check [using payday lending and AFSP], you just go, you [can] pay your utility bills, you're done and you leave. You also know exactly what you're going to pay [in terms of fees for cashing the check] and you know that you don't have to deal with the flow of depositing a paper check and waiting for it to clear [check cashing process of mainstream financial services].

An additional commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is "they don't like lengthy processes (e.g. red tape)."

We know what we owe. When analyzing the characteristics of an underserviced consumer within the U.S. banking subsector of the financial services industry, the literature review also mentions that these consumers [e.g. the underserviced] want to know exactly how much they have spent and how much they have left available, and many track their expenses on paper or by spreadsheets using alerts on their mobile phones to remind them when bills are due. While these consumers expect fees for financial services, as they also pay fees to AFSPs, they find it frustrating trying to understand and predict the fees that they are charged by financial institutions. They also find it questionable that some fees are waived when an account is initially opened (e.g. free checking) and then suddenly charged after six months (e.g. overdraft and minimum account balance fees). These consumers know what they owe and to whom they are indebted. As Provider 1 remarked,

I think these customers [underserviced consumers within the U.S. banking subsector of the financial services industry] know so much about financial services and financial lack from being unemployed, over employed, on the streets, off the streets, who knows? These customers [underserviced consumers within the U.S. banking subsector of the financial services industry] are dollars and cents customers and that's the education. They do know what a dollar is worth and they do know that there is one-hundred cents to that dollar.

Another commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is "they know what they owe."

We are currently not focused on longer term personal financial planning. When talking about the characteristics of underserviced consumers within the U.S. banking subsector of the financial services industry and financial planning, Provider 2 said,

Fundamentally, you need to save 10 percent of what you make. I would argue that most Americans don't live by this even if you have a lot of money. Look at this last economic downturn, fundamental problem in our society. NOT just underserviced. We're such a "we've got to have it now." I can only speak for the USA. I just think we don't save enough as a whole in the USA to be able to when you have bad time, medical, or buy tires for your car.

As mentioned in the literature review, empirical findings suggest that, many individuals and households are now becoming underserviced within the U.S. banking subsector of the financial services industry, voluntarily choosing AFS products, such as prepaid reloadable credit cards as replacement mechanisms to their traditional accounts (2011 FDIC National Survey and Linn, 2008). Another commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to underserviced consumers within the U.S. banking subsector of the financial services industry is “they are not currently focused on longer term personal financial planning.”

We don’t “need” to build committed customer relationships. When analyzing the characteristics of an underserviced consumer within the U.S. banking subsector of the financial services industry, the literature review mentions that, consumers see relationships as driven by convenience and self-interest (O’Malley and Tynan, 2000). As one participant remarked,

> *[underserviced consumers are] fed up with working and trying to maintain an active relationship with mainstream financial services and providers to credit.*

Another participant remarked that,

> *Underserviced consumers don’t need to build a committed relationship with their sellers*.”

Another participant remarked that *there’s no sort of active management [with payday lenders]*, basically saying that banks require commitment whereas payday lenders (AFS providers) do not. Another commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is “they do not need to build a committed customer relationship” in order to use products and services that helps them to manage their personal finances.

We like and use technology. When talking about the characteristics of underserviced consumers within the U.S. banking subsector of the financial services industry and financial planning, Provider 4 said,

> *I think it's hard to even separate [technology from this industry]. Technology is so key to [the] financial services [industry] and if you don't have products that work well with it [technology] like online banking and things like that, I really don't think you can make it.*

The literature review supports the impact of technology, specifically electronic banking (e-banking) on the financial services industry. Whereas, financial services institutions seem to accept that the exact nature of future customer relationships, is hard to predict because of the general volatility and rapid evolution of e-banking (Kapoulas, et. al., 2002). In particular Bossone (2001), suggests that the rapid evolution of finance over the last two decades and the breathtaking "e-age" revolution have persuaded many that, eventually, banks will be indistinguishable from other financial intermediaries since all their functions can, at least as efficiently, be carried out by nonbanks. As also mentioned in the literature review, cell phone usage in the U.S. has increased from 34 million to 203 million in the last ten years. 97% of adults have a cell phone (up 4% from 2012), and of those phones, 56% are considered *smart phones*. The cellular phone is the most quickly adopted technology in history.[26] The underserviced consumer within the U.S. banking subsector of the financial services industry is empirically supported, as Provider 3 remarked,

> A *lot of our communications with our customers though they could be in person, we use technology, particularly in text messaging to remind customers that they have a payment coming up, to let them know the status of their application, and to let them know it's been*

[26] http://www.pewinternet.org/fact-sheets/mobile-technology-fact-sheet/

> *a couple of days since their loan was due. More routine communicating [for us] can be done by text messaging.*

Another participant (Provider 5) said,

> *We do a lot of work when it comes to using organizational text messaging or providing information on accounts that you may already have. We also utilize mobile banking in terms of providing information to consumers.*

Another commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to the underserviced consumer within the U.S. banking subsector of the financial services industry is "they like and use technology."

And, we like and use electronically mediated communication. When analyzing the characteristics of an underserviced consumer within the U.S. banking subsector of the financial services industry, the literature review mentions the use of electronically mediated communication (e.g., social media). Currently, with existing electronic media networks (EMN) technology, a greater degree of individualization in e-customer communications may be the closest that financial services institutions are able to come to creating a notion of e-relationships. Managers' understanding of e-relationships has been formed and nurtured as a learning process throughout the development of EMN. Further, they appear to have little idea how to approach e-customers and to maintain a customer dialogue or to know whether this is desired by their clients. As Provider 8 stated,

O*ur standard customer for a borrower is someone who has a social network account and a mobile phone, that's our standard.* Another participant (Provider 5) remarked, *we do a lot of work around social media. And, another participant remarked,* s*ocial media is another way [that we communicate and market to our consumers]*. Another commonly shared unique psychosocial characteristic that has been empirically identified as a result of this analysis and linked to underserviced consumers within the U.S. banking subsector of the financial services industry is “they like and use electronically mediated communication.”

The analysis of results of this study has provided insight into the various aspects of this emerging market to explain its formation. As these research results and the literature demonstrate, using the underserviced consumer market formation theory (UCMFT) as a means to address the research question is viable.

In summary, the analysis of results empirically support the coexistence of a complex and inefficient transactional arena, whereby buyers and sellers are not easily or efficiently able to come together as evidenced by institutional weaknesses that have become a prime source of higher transaction costs, institutional weaknesses that have become a prime source of operating challenges, absent or poorly performing specialized intermediaries, and the increasing sophistication of transactions within the alternative financial services industry.

Additionally, in support of UCMFT, the analysis of results also empirically support the coexistence of customer relational bonds that are predominantly absent or poorly functioning, thereby creating an inability for mainstream financial service providers (banks and credit unions, as scoped for this research topic) to attract, maintain, or enhance customer relationships.

And, closing out alignment to UCMFT, the analysis of results also empirically support the coexistence of a cultural-type group orientation of predominant consumers (the underserviced) which have been empirically linked as identifiable commonly shared unique psychosocial characteristics listed as we don’t trust banks (credit unions include), we want total control of all of our monies, we don’t like lengthy processes (red tape), we know what we owe, we are “currently not focused” on longer term personal financial planning, we don’t “need” to build committed customer relationships, we like and use technology, and we like and use electronically mediated communication. Although underserviced consumers within the U.S. banking subsector of the financial services industry have much in common with consumers in general, certain distinctive psychosocial characteristics have emerged through the analysis of results which are unique to this specific consumer group.

VII SUMMARY AND CONCLUSIONS

In this dissertation, I have examined the emergence of a market of underserviced consumers within the U.S. banking subsector of the financial services industry. The aim of this research was to introduce generalizable social theory that explains the formation of an underserviced consumer market. This new social theory called the underserviced consumer market formation theory (UCMFT) was then applied to the U.S. banking subsector of the financial services industry in order to address the research question of, Why has an emerging market of underserviced consumers formed within the U.S. banking subsector of the financial services industry? The evidence from this study suggests that UCMFT empirically supports answering the research question.

Empirically supporting UCMFTs' application to answer the research question of the study, are the results of this investigation which empirically support an interlocking system of converged coexistence, actualized by underserviced consumer market formation within the U.S. banking subsector of the financial services industry. This interlocking system of converged coexistence includes the coexistence of a complex and inefficient transactional arena, the coexistence of customer relational bonds that are predominantly absent or poorly functioning, and the coexistence of a cultural group orientation of predominant consumers (the underserviced within the U.S. banking subsector of the financial services industry).

Because there is the coexistence of a transactional arena where buyers and sellers are not easily or efficiently able to come together, institutional weaknesses have emerged that have become a prime source of higher transaction costs and operating challenges for sellers (e.g., banks, credit unions). Additionally, the absence or poor performance of specialized intermediaries within this emerging market have created gaps within its infrastructure. As sellers (e.g. banks, credit unions) strive to attract, maintain, and enhance committed customer relationships within this fragmented market infrastructure, consumers react with repeatable and commonly shared characteristics creating a cultural-type orientation (underserviced consumer) within the U.S. banking subsector of the financial services industry.

It was also shown that key differences between the basic transactional-related products and services provided by retail banks and credit unions, versus alternative financial service providers' products, are *visibly* fee-related, amongst other things. This evidence suggests that buyers in this market purchase AFS transactional-related products because they see no key differences between that of basic products and services offered by a retail bank or a credit union, versus alternative financial services providers products. To these underserviced consumers, a money order purchased in a grocery store is the same as a money order purchased from a bank, and in some cases it is more convenient and cheaper to purchase in a grocery store. To these consumers, the end product is a money order. This evidence also suggests that buyers within this emerging market make wire transfers with AFS providers as opposed to banks or credit unions because they also see no key difference in the product itself. Yet, the cost of convenience of one versus the other, and for most making wire transfers of this caliber, the bank or credit union requires that the sender (of this transaction) be a current account holder (e.g. in a committed relationship with the bank/credit union) before performing the wire transaction. This study also has found that generally, the bundling and convenience of basic transactional-related financial products and services of AFS providers (in the eyes of the consumer) mirror the basic products and services provided by retail banks and credit union.

In addition, the results suggest that the widespread use of technology, the widespread use of electronically mediated communication, the significant misalignment between the mainstream financial services' relationship marketing strategies for this consumer's cultural orientation, and AFS providers' effective marketing of selling convenience and access to no-hassle small-dollar credit, all contributed to this market's emergence.

According to Rhine and Greene (2013), becoming unbanked [underserviced, as scoped for this research] exposes families to higher risks because their funds are no longer held at an insured depository institution and their financial transactions are unlikely to be covered by consumer protection laws and regulations. However, the results of this investigation show that, underserviced consumers within the U.S. banking subsector of the financial services industry are willing to accept these risks as one of their collective unique psychosocial characteristics has been identified as: they want to control all of their monies (e.g. at whatever cost) and that long term financial planning is not critical at this current point in their lives.

Mainstream financial service providers (e.g. banks and credit unions) seem to be collectively focusing on educating the underserviced consumers within the U.S. banking subsector of the financial services industry. However, as mentioned in the literature review, rather than using financial literacy curricula as a lone solution, efforts to provide skills and encourage behavioral changes need to be coupled with changes in environmental conditions. Public policy, combined with cultural changes that recognize different financial strategies, can service diverse communities and individual standpoints to help foster financial capabilities (Figart, 2013).

As also mentioned in the literature review, U.S. households without access to a basic bank account can pay up to $15,000 in high fees to the fringe economy over a lifetime (Hawke, 2000). Many households utilize mainstream financial institutions such as banks and credit unions to cash checks, pay bills and make small and large purchases; however many others either do not have access to, a desire to, or the ability to take advantage of these products and services (Shobe et. al, 2013) as the findings of this study suggest. These findings also suggest that in general, the 'innovation of alternative financial products and services' has disrupted the U.S. banking subsector of the financial services industry.

Contributions to Knowledge

The present study makes several noteworthy contributions to knowledge. The first contribution to knowledge is the coined and customized term of underserviced consumers within the U.S. banking subsector of the financial services industry. As iterated in the introduction of this research and based on 2011 Federal Deposit Insurance Corporation (FDIC) definitions, U.S. banking consumers are categorized as unbanked, underbanked, and fully banked. The current FDIC definition for underbanked is convoluted and does not provide a schema which supports empirical research, as scoped for this dissertation topic. By creating the definition of underserviced consumers within the U.S. banking subsector of the financial services industry, a clear and measurable empirical-based definition is introduced. As an example, this research has identified a weakness of the FDIC definition of underbanked, using an AFS product at least once within the last 12 months, as this does not empirically demonstrate a pattern of behavior as things happen. This research has expanded the use of an AFS product to more than once within the past 12 months. Additionally, the FDIC definition of AFS product use is limited and does not include buy-here-pay-here, auto financing, auto title loans, and closed loop retail agreements (lay-away programs), whereby this expanded definition does and it supports empirical research.

The second contribution to knowledge is the new generalizable social theory of underserviced consumer market formation (UCMFT). Critical to the development of UCMFT is the grounding within emerging markets theory (institutional voids), relationship marketing theory (commitment-trust), and consumer culture theory, which all have overlapping roots in economics, ethnography, and psychology. Until the creation of UCMFT, the mechanisms explaining the formation of underserviced consumers within the industry, encompassed by the research, thereby creating an emerging market, remained incompletely understood.

The third contribution to knowledge is the newly created theoretically based model for underserviced consumer market formation within the U.S. banking subsector of the financial services industry. Until the creation of UCMFT and applying UCMFT to this research topic, an empirically based and holistic explanation as to why an emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry has formed was nonexistent. Until now, this phenomenon has remained incompletely understood. The model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry is an interlocking system of converged coexistence actualized by underserviced consumer market formation delivering an empirical explanation for this phenomenon.

The fourth contribution to knowledge is the identification of a generalizable consumer group type (e.g. underserviced consumers) within the industry studied or encompassed by the research. Contributing to the formation of UCMFT is the "merging" of a set of unique psychosocial characteristics which have been empirically linked to the predominant consumer group (e.g. buyers) within the industry targeted or encompassed by the research. When applying UCMFT to the U.S. banking subsector of the financial services industry, the analysis of results empirically support the coexistence of a cultural-type group orientation of predominant consumers (the underserviced) which have been empirically linked as identifiable commonly shared unique psychosocial characteristics listed as we don't trust banks (credit unions included), we want total control of all of our monies, we don't like lengthy processes (red tape), we know what we owe, we are “currently not focused” on longer term personal financial planning, we don’t “need” to build committed customer relationships, we like and use technology, and we like and use electronically mediated communication. This is the first empirical linking of unique psychosocial characteristic to the underserviced consumer within the U.S. banking subsector of the financial services industry.

The fifth contribution to knowledge is that this research extends our knowledge to a growing body of literature. As this emerging market of underserviced consumers within the U.S. banking subsector of the financial services industry has formed, academic research in this subject area is very limited. Therefore, very limited peer-reviewed literature specific to the context of this research exists. Most literature written, as it relates to this specific subject matter has been sponsored and/or originated by U.S. governing agencies, mainstream financial services providers, general businesses (non-financial services), AFS providers, non-profit organizations, consumer advocacy organizations, and marketing or research companies. Various industry-based market research and analysis reports also exist. Therefore this research extends our empirical knowledge to a growing body of literature.

And, the sixth contribution to knowledge is the empirically laid foundation for a vast amount of future research to include applying UCMFT to other industries such as medical, technology, telecommunications, and so forth.

Implications for Practice

This research also has practical applications. Firstly, the empirical findings in this study provide a practical and holistic understanding of underserviced consumer market formation within the U.S. banking subsector of the financial services industry, supported by the model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry. As iterated in the introduction of this research, the practice of individuals and households within the USA using non-bank transactional and non-bank credit-related financial products and services as a tool for their personal financial management has existed as an underground economy for some time. However, it has become increasingly difficult for the U.S. banking subsector, the U.S. government, and U.S. consumer advocates to ignore that this underground economy has now fully emerged into a market of underserviced consumers within the U.S. banking subsector of the financial services industry. As of the start of the year 2012, most households within the USA (about 68.8 percent) conducted much of their financial affairs using commercial banks, savings and loan associations, savings banks, and credit unions.

Consequentially, there is increasing concern and visibility to the significant amount of households within the USA (about 28.3 percent) who select to conduct their financial transactions without ever using mainstream financial services (e.g. the underserviced consumer within the U.S. banking subsector of the financial services industry). Now that the empirical findings in this study provide a practical and holistic understanding of underserviced consumer market formation within the U.S. banking subsector of the financial services industry, industry stakeholders can collaboratively strategize solutions.

Secondly, this study has empirically introduced into practice, a model specific to the current industry phenomenon of underserviced consumer market formation within the U.S. banking subsector of the financial services industry, thereby positioning for further practitioner analysis and solutions strategization. This model lays a foundational platform for banks, credit unions, U.S. government regulators, non-profit organizations, and consumer advocates to collaboratively work together to resolve. The model of underserviced consumer market formation within the U.S. banking subsector of the financial services industry, empirically corroborates (with UCMFT) the coexistence of a complex and inefficient transactional arena whereby buyers and sellers are not easily nor efficiently able to come together as evidenced by: institutional weaknesses that have become a prime source of higher transaction costs; institutional weaknesses that have become a prime source of operating challenges; absent or poorly performing specialized intermediaries; and the increasing sophistication of transactions within the alternative financial services industry. It also empirically corroborates (with UCMFT) the coexistence of customer relational bonds that are predominantly absent or poorly functioning thereby creating an inability for mainstream financial service providers (e.g. banks and credit unions as scoped for this research topic) to attract, maintain, or enhance customer relationships. And, empirically corroborates (with UCMFT) the coexistence of a cultural type group orientation of predominant consumers (e.g. the underserviced) which have been empirically linked as identifiable commonly shared unique psychosocial characteristics listed as: we don’t trust banks (credit unions include), we want total control of all of our monies, we don’t like lengthy processes (red tape), we know what we owe, we are “currently not focused” on longer term personal financial planning, we don’t “need” to build committed customer relationships, we like and use technology, and we like and use electronically mediated communication. Although underserviced consumers within the U.S. banking subsector of the financial services industry have much in common with consumers in general, certain distinctive psychosocial characteristics have emerged through the analysis of results which are unique to this specific consumer group.

Limitations and Implications for Future Research

The generalizability of these results is subject to certain limitations. For instance, the current study has only examined the U.S. banking subsector of the financial services industry, whereby future research could expand to the other subsectors within the U.S. financial services industry such as: asset management, insurance and venture capital.

Another limitation is that the current study solely covered the United States, whereas future research could expand into the banking subsectors of other countries.

One other limitation is that, this current study does not include business ethics as the cost of fees within the AFS provider products credit practices emerged from the data, yet was not scoped for this research, whereby future research could expand into the business ethics of fees charged to consumers of AFS provided small-dollar credit products.

Limitations	Implications for future research
Only examined banking sector within the USA	Expand to the other subsectors within the U.S. financial services industry such as: asset management, insurance and venture capital.
Scoped solely for United States	Expand research into the banking subsectors of other countries.
Does Not Include Business Ethics	Expand research to focus on the business ethics of fee structures within this market.

Table 6: Limitations and Implications for Future Research

Additional implications for future research include applying the underserviced consumer market formation theory (UCMFT) to other industries, such as the medical industry, technology, telecommunications, and so forth. Also, further research might explore the psychological basis of the unique psychosocial characteristics empirically linked to the underserviced consumers within the U.S. banking subsector of the financial services industry. A further study into the disruptive innovation within the alternative financial services industry could assess the long-term effects of changing the way consumers of financial products and services, in general think and manage their personal finances.

VIII APPENDICES

Appendices A: Primary Data Survey Instrument – Semi-Structured Interview of Providers

1) What is the basis for which your fees are set?
2) How do you make decisions about the locations/neighborhoods that you operate in?
3) What is your approach to marketing? How do you attract your customers?
4) Are there specific marketing campaigns that you are using to attract underserviced consumers? If so, have they been effective?
5) How are you communicating with your market? What are your most effective networks?
6) What role does technology play in your attracting or communicating with your market?
7) What is the effect of regulations on your cost of services? Does it increase/decrease/no effect? Please explain.
8) Have there been specific regulatory changes since or after the recent recession that has affected your business (e.g. Dodd-Frank)?
9) What is your opinion of the effect of regulations on the protection of the consumers?
10) Please provide your opinion, perspective, or insight as to why you think this market has increased in size and nature?
11) What do you think a successful educational packet would look like for an underserviced consumer [i.e. effective for the provider and adoptable (including maintainable)] for the consumer?

Appendices B: Verbatim - 2011 FDIC National Survey of Unbanked and Underbanked

Households - September 2012 (Appendix G- Survey Instrument. Page 147-155)

FDIC Household Survey of the Unbanked and Underbanked

INTRODUCTION

Next, I'd like to ask you some questions about household finances.

1. Which of the following best describes your household's finances?
(Read Responses 1-3.)
 The adults have shared finances **(CONTINUE)**
 The adults have some shared finances and some separate finances **(CONTINUE)**
 The adults have separate finances even though we share living space **(SKIP TO Q2)**
 I am the only adult in the household **(Volunteered) (SKIP TO Q2)**
 DK/Refused **(CONTINUE)**

1a. How much do you participate in making financial decisions for your household, a lot, some or not at all?
 A lot **(CONTINUE)**
 Some **(CONTINUE)**
 Not at all **(CONTINUE)**
 DK/Refused **(CONTINUE)**

2. Do you or does anyone in your household currently have a checking or savings account**?**
 Yes **(CONTINUE)**
 No **(SKIP TO Q3)**
 DK/Refused **(TERMINATE)**

2a. Who is that? (Enter Line Number)
 1-16 **(CONTINUE)**
 DK/Refused **(SKIP TO Q9)**

2b. What type or types of accounts do you and each of your household members have**?** (Ask this question for each adult (15 years of age and older) individual of the household)
 Only checking accounts **(SKIP TO Q9)**
 Only savings accounts **(SKIP TO Q9)**
 Or both checking and savings accounts **(SKIP TO Q9)**
 Other **(Volunteered) (SKIP TO Q9)**
 DK/Refused
The remainder of the survey will not be administered to individuals who do not participate in household's financial decision making. The survey will terminate here if the interviewee's response to Q1a is "Not at all" or "DK/Refused."

3. Have you or anyone in your household ever had a checking or savings account?
    - Yes **(CONTINUE)**
    - No **(SKIP TO INTRO Q5)**
    - DK/Refused **(SKIP TO INTRO Q5)**

Q4 is asked to those households that were previously banked, but closed their deposit account with a bank.

4. When was the last time you or anyone in your household had a checking or savings account, was it – within the last year or more than 1 year ago?
    - Within the last year **(CONTINUE)**
    - More than 1 year ago **(CONTINUE)**
    - DK/Refused **(CONTINUE)**

Q5- Q6f apply to all unbanked households and relate to reasons why the household does not have an account.

5. What is the main reason why no one in your household has an account? **(Read responses 1 to 10. Mark only one.)**.
    - a. Previously had an account but the bank closed it **(SKIP TO Q6a)**
    - b. Can't open an account due to ID, credit, or banking history problems **(SKIP TO Q6b)**
    - c. Banks do not have convenient hours or locations **(SKIP TO Q6c)**
    - d. Bank account fees or minimum balance requirements are too high **(SKIP TO Q6d)**
    - e. Banks do not offer the needed products or services **(SKIP TO Q6e)**
    - f. Don't like dealing with and/or don't trust banks **(SKIP TO Q6f)**
    - g. Do not have enough money **(SKIP TO Q7)**
    - h. Do not know how to open or manage an account **(SKIP TO Q7)**
    - i. Do not need or want an account **(SKIP TO Q7)**
    - j. Was there some other reason? (Specify) **(SKIP TO Q7)**
    - k. None of the preceding reasons **(Volunteered) (SKIP TO Q7)**
    - l. DK/Refused

    (Q6a- Q6f drill down on specific reasons for response to Q5)

(Only ask if response "a" in Q5 was selected)
6a. Did the bank close the account because of too many overdrafts or bounced checks?
- Yes **(SKIP TO Q7)**
- No **(SKIP TO Q7)**
- DK/Refused **(SKIP TO Q7)**

(Only ask if response "b" in Q5 was selected)
6b. What is the main reason you or others in your household can't open an account? **(Read responses 1 to 3. Mark only one.)**
- Do not have the required identification to open an account **(SKIP TO Q7)**
- Bad credit history **(SKIP TO Q7)**
- Past banking history problems **(SKIP TO Q7)**

☐ Other reason **(Volunteered) (SKIP TO Q7)**
☐ DK/Refused **(SKIP TO Q7)**

(Only ask if response “c” in Q5 was selected)
6c. What is the main reason why banks are inconvenient? **(Read responses 1 and 2. Mark only one.)**

☐ Bank has inconvenient hours **(SKIP TO Q7)**
☐ Bank has inconvenient locations **(SKIP TO Q7)**
☐ Other reason **(Volunteered) (SKIP TO Q7)**
☐ DK/Refused **(SKIP TO Q7)**

(Only ask if response “d” in Q5 was selected)
6d. What fee or balance requirement is the main reason that you or others in your household do not have an account? **(Read responses 1 to 3. Mark only one.)**

☐ Services charges are too high **(SKIP TO Q7)**
☐ Unexpected fees, such as overdraft charges **(SKIP TO Q7)**
☐ Minimum balances are too high **(SKIP TO Q7)**
☐ Other reason **(Volunteered) (SKIP TO Q7)**
☐ DK/Refused **(SKIP TO Q7)**

(Only ask if response “e” in Q5 was selected)
6e. What is the main product or service needed but not offered by banks? **(Read responses 1 to 4. Mark only one.)**

☐ Banks do not offer check cashing services or money orders. **(SKIP TO Q7)**
☐ Banks do not offer wire transfer (remittance) services. **(SKIP TO Q7)**
☐ It takes too long to get funds from deposited checks **(SKIP TO Q7)**
☐ Cannot borrow money needed from banks **(SKIP TO Q7)**
☐ Other reason **(Volunteered) (SKIP TO Q7)**
☐ DK/Refused **(SKIP TO Q7)**

(Only ask if response “f” in Q5 was selected)
6f. Can you specify why you or others in your household do not like dealing with and/or don’t trust banks? **(Read responses 1 to 3. Mark only one.)**

☐ There are language barriers at banks **(CONTINUE)**
☐ Do not trust banks **(CONTINUE)**
☐ Do not feel welcome or comfortable at banks **(CONTINUE)**
☐ Other reason **(Volunteered) (CONTINUE)**
☐ DK/Refused **(CONTINUE)**

7. How likely is it that you or someone in your household will open a bank account in the future – very likely, somewhat likely, not too likely, or not likely at all?

☐ Very likely **(CONTINUE)**
☐ Somewhat likely **(CONTINUE)**
☐ Not too likely **(SKIP TO Q9)**
☐ Not likely at all **(SKIP TO Q9)**
☐ DK/Refused **(SKIP TO Q9)**

8. What is the main reason why you or someone in your household would want to open a bank account? **(Read responses 1 through 6. Mark only one.)**

 To put money in a safe place
 To be able to write checks and pay bills
 To be able to apply for a loan or mortgage
 To save money for the future
 To take advantage of direct deposit of paychecks
 To send money to family and friends Other (Specify)
 DK/Refused

Q9- Q39 apply to all households, regardless of their banking status.
The next series of questions asks if you or someone in your household has gone to places other than a bank for financial services. When I use the term bank, I am referring to banks, savings and loans, credit unions, and brokerage firms.

9. Have you or anyone in your household EVER gone to a place other than a bank to cash a check that was received from someone else?
 Yes **(CONTINUE)**
 No **(SKIP TO Q14)**
 DK/Refused **(SKIP TO Q14)**

10. In the past 12 months, did you or anyone in your household go to a place other than a bank to cash a check received from someone else?
 Yes **(CONTINUE)**
 No **(SKIP TO Q13)**
 DK/Refused **(SKIP TO Q13)**

11. . Did you or anyone in your household do this in the past 30 days?
 Yes **(CONTINUE)**
 No **(SKIP TO Q13)**
 DK/Refused **(SKIP TO Q13)**

12. How many times did this happen in the past 30 days?
About ___________times in the past 30 days.
 DK/Refused

13. What was the main reason for going to a place other than a bank to cash a check received from someone else? **(Read responses 1 through 8. Mark only one.)**
 Banks don’t cash checks
 To get money faster
 The place to cash checks has more convenient hours or location
 A bank charges more to cash checks
 The place to cash checks asks for fewer IDs.
 The place to cash checks feels more comfortable than a bank
 Don’t have a bank account

□ Do not trust banks
□ Other (Specify)
□ DK/Refused

14. Have you or anyone in your household EVER gone to a place other than a bank to purchase a money order?
□ Yes **(CONTINUE)**
□ No **(SKIP TO Q20)**
□ DK/Refused **(SKIP TO Q20)**

15. In the past 12 months, did you or anyone in your household go to a place other than a bank to purchase a money order ?
□ Yes **(CONTINUE)**
□ No **(SKIP TO Q19)**
□ DK/Refused **(SKIP TO Q19)**

16. Did you or anyone in your household do this in the past 30 days?
□ Yes **(CONTINUE)**
□ No **(SKIP TO Q19)**
□ DK/Refused **(SKIP TO Q19)**

17. How many times did this happen in the past 30 days?
About **__________**times in the past 30 days.
□ DK/Refused

18. In the past 30 days, did you or anyone in your household purchase a money order in a Post Office?
□ Yes **(CONTINUE)**
□ No **(CONTINUE)**
□ DK/Refused **CONTINUE)**

19. What was the main reason for going to a place other than a bank to purchase a money order? **(Read responses 1 through 6. Mark only one.)**
□ Banks do not sell money orders
□ The place to purchase money orders has more convenient hours or location
□ A bank charges more for money orders
□ The place to purchase money orders feels more comfortable than a bank
□ Don't have a bank account
□ Do not trust banks
□ Other (Specify)
□ DK/Refused

20. Have you or anyone in your household EVER gone to a place other than a bank to give or send money to relatives or friends living outside the U.S.? Please include all money for gifts or loans. Read if necessary: Friends are people you know personally (are acquainted with). Do NOT include money for charities or other organizations or groups.

 Yes **(CONTINUE)**
 No **(SKIP TO Q25)**
 DK/Refused **(SKIP TO Q25)**

21. In the past 12 months, did you or anyone in your household go to a place other than a bank to give or send money to relatives or friends living outside the U.S.?
 Yes **(CONTINUE)**
 No **(SKIP TO Q24)**
 DK/Refused **(SKIP TO Q24)**

22. Have you or anyone in your household done this in the past 30 days?
 Yes **(CONTINUE)**
 No **(SKIP TO Q24)**
 DK/Refused **(SKIP TO Q24)**

23. How many times did this happen in the past 30 days?
About __________times in the past 30 days.
 DK/Refused

24. What was the main reason for going to a place other than a bank to give or send money to relatives or friends living outside the U.S? **(Read responses 1 through 7. Mark only one.)**
 Banks don't send money abroad
 The money gets there faster
 The place to give or send money has more convenient hours or location
 A bank charges more to send money abroad
 The place to give or send money feels more comfortable than a bank
 Don't have a bank account
 Do not trust banks
 Other (Specify)
 DK/Refused

25. Have you or anyone in your household EVER taken out a payday loan?
 Yes **(CONTINUE)**
 No **(SKIP TO Q29)**
 DK/Refused **(SKIP TO Q29)**

26. In the past 12 months, did you or anyone in your household have a payday loan?
 Yes **(CONTINUE)**
 No **(SKIP TO Q28)**
 DK/Refused **(SKIP TO Q28)**

27. Did you or anyone in your household have a payday loan in the past 30 days?
 Yes **(CONTINUE)**
 No **(CONTINUE)**
 DK/Refused **(CONTINUE)**

28. What was the main reason for using a payday lender rather than a bank? **(Read responses 1 through 6. Mark only one.)**
 Banks don't make small dollar loans
 The place to get payday loans has more convenient hours or location
 It is easier or faster to get a payday loan than to qualify for a bank loan
 The place to get payday loans feels more comfortable than a bank
 Don't qualify for a bank loan
 Do not trust banks
 Other (Specify)
 DK/Refused

29. Have you or anyone in your household EVER pawned an item at a pawn shop because cash was needed, and not just to sell an unwanted item?
 Yes **(CONTINUE)**
 No **(SKIP TO Q33)**
 DK/Refused **(SKIP TO Q33)**

30. In the past 12 months, have you or anyone in your household pawned an item because cash was needed? Again, do not count selling unwanted items.
 Yes **(CONTINUE)**
 No **(SKIP TO Q32)**
 DK/Refused **(SKIP TO Q32)**

31. Have you or anyone in your household done this in the past 30 days?
 Yes **(CONTINUE)**
 No **(CONTINUE)**
 DK/Refused **(CONTINUE)**

32. What was the main reason for pawning an item rather than getting a loan from a bank? Again, do not count selling unwanted items. **(Read responses 1 through 6. Mark only one.)**
 Banks don't make small dollar loans
 The pawn shop has more convenient hours or location
 It is easier and faster to get money from a pawn shop than to qualify for a bank loan
 The pawn shop feels more comfortable than a bank
 Don't qualify for a bank loan
 Do not trust banks
 Other (Specify)
 DK/Refused

33. Have you or anyone in your household EVER taken out a tax refund anticipation loan?
 Yes
 No **(SKIP TO Q35)**
 DK/refused **(SKIP TO Q35)**

34. Have you or anyone in your household taken one out in the past 12 months?
 Yes **(CONTINUE)**

☐ No **(CONTINUE)**
☐ DK/refused **(CONTINUE)**

35. Have you or anyone in your household EVER rented or leased anything from a rent-to-own store because it couldn't be financed any other way?
☐ Yes **(CONTINUE)**
☐ No **(SKIP TO Q37)**
☐ DK/refused **(SKIP TO Q37)**

36. In the past 12 months, did you or anyone in your household have a rent-to-own agreement?
☐ Yes **(CONTINUE)**
☐ No **(CONTINUE)**
☐ DK/Refused **(CONTINUE)**

Q37 is only asked if respondent indicated that they have used AFS credit services (pay day loans, pawn shop loans, tax refund anticipation loans, or rent- to-own credit agreements) within the last 12 months (Q26, Q29, Q33 or Q35)

37. Thinking about the past 12 months, what was the MAIN reason you or anyone in your household needed to get a payday loan, a tax refund anticipation loan, a rent-to–own credit agreement, or pawn an item? Was it:

(Read responses 1 through 7. Mark only one.) (Note to Interviewer: We want to know what they used the money for.)
☐ To make up for job loss or decrease in income
☐ For basic living expenses
☐ For house or car repairs or to buy an appliance
☐ For medical, dental or death expenses
☐ For school or childcare expenses
☐ For special gifts or luxuries
☐ For legal expenses
☐ Other **(Volunteered Specify:____)**
☐ Offered multiple reasons – would not pick 1 main reason **(Volunteered)**
☐ DK/Refused

38. Do you or anyone in your household receive payment for wages by having the employer deposit the salary onto a payroll card instead of paying by cash, check, or direct deposit?
☐ Yes
☐ No
☐ DK/Refused

Now I have a question about pre-paid debit cards that may have logos such as MasterCard, VISA, Discover or American Express. These cards are not linked to a checking or savings account. You can keep adding money onto this card and use it to make purchases and pay bills anywhere credit cards are accepted or withdraw the cash from an ATM. I am not

talking about phone cards, gift cards for a particular store or service or cards that you cannot add more funds onto.

39. Have you or anyone in your household EVER used pre-paid cards such as those I have described?

- ☐ Yes
- ☐ No
- ☐ DK/Refuse

<END>

Appendices C: Table 3-2011 FDIC AFS Demographics Transaction and Credit Products Use

Household Characteristic	All Households			Transaction Products						Credit Products					
				Has Ever Used		Has Never Used		Unknown		Has Ever Used		Has Never Used		Unknown	
	Numbers (1000s)	Pct of Row	Pct of Survey Population	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row	Numbers (1000s)	Pct of Row
All Households	120,408	100%	100.0%	47,109	39.1	70,198	58.3	3,101	2.6	17,109	14.2	99,628	82.7	3,670	3.0
Banking Status															
Unbanked	9,875	100%	8.2%	6,968	70.6	2,422	24.5	485	4.9	3,138	31.8	6,030	61.1	707	7.2
Underbanked	24,199	100%	20.1%	22,711	93.9	1,458	6.0	30	0.1	9,011	37.2	14,940	61.7	248	1.0
Fully Banked	82,830	100%	68.8%	16,945	20.5	65,885	79.5	-	-	4,855	5.9	77,975	94.1	-	-
Banked but Underbanked Status Unknown	3,504	100%	2.9%	485	13.8	432	12.3	2,586	73.8	105	3.0	683	19.5	2,716	77.5
Household Family Type															
Family household	78,826	100%	65.5%	31,399	39.8	45,583	57.8	1,845	2.3	11,742	14.9	64,855	82.3	2,229	2.8
Female householder, no husband present	15,575	100%	19.8%	8,287	53.2	6,859	44.0	428	2.7	4,108	26.4	10,876	69.8	591	3.8
Male householder, no wife present	5,661	100%	7.2%	2,816	49.8	2,668	47.1	176	3.1	1,260	22.3	4,162	73.5	239	4.2
Married couple	57,591	100%	73.1%	20,295	35.2	36,056	62.6	1,240	2.2	6,374	11.1	49,817	86.5	1,400	2.4
Nonfamily household	41,479	100%	34.4%	15,657	37.7	24,572	59.2	1,251	3.0	5,352	12.9	34,691	83.6	1,436	3.5
Female householder	21,688	100%	52.3%	7,453	34.4	13,517	62.3	718	3.3	2,364	10.9	18,552	85.5	772	3.6
Male householder	19,791	100%	47.7%	8,203	41.5	11,055	55.9	533	2.7	2,988	15.1	16,139	81.5	664	3.4
Other	102	100%	0.1%	54	52.7	44	42.7	5	4.6	16	15.2	82	80.2	5	4.6
Race and Ethnicity of Householder															
Black	16,046	100%	13.3%	9,471	59.0	6,012	37.5	563	3.5	4,251	26.5	11,030	68.7	765	4.8
Hispanic non-Black	13,710	100%	11.4%	6,911	50.4	6,463	47.1	337	2.5	2,159	15.7	11,038	80.5	513	3.7
Asian	4,985	100%	4.1%	1,346	27.0	3,490	70.0	149	3.0	173	3.5	4,640	93.1	173	3.5
American Indian/Alaskan	1,389	100%	1.2%	692	49.8	659	47.4	38	2.7	359	25.9	975	70.2	55	3.9
Hawaiian/Pacific Islander	267	100%	0.2%	121	45.2	143	53.7	3	1.1	58	21.6	201	75.1	9	3.3
White non-Black non-Hispanic	83,988	100%	69.8%	28,554	34.0	53,430	63.6	2,004	2.4	10,103	12.0	71,735	85.4	2,150	2.6
Other non-Black non-Hispanic	23	100%	0.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Spanish is Only Language Spoken															
Spanish is not only language spoken	117,940	100%	98.0%	45,635	38.7	69,276	58.7	3,030	2.6	16,852	14.3	97,525	82.7	3,563	3.0
Spanish is only language spoken	2,467	100%	2.0%	1,474	59.7	922	37.4	71	2.9	257	10.4	2,103	85.2	108	4.4
Nativity															
U.S-born	104,143	100%	86.5%	40,200	38.6	61,334	58.9	2,609	2.5	15,938	15.3	85,189	81.8	3,016	2.9
Foreign-born citizen	8,380	100%	7.0%	2,882	34.4	5,257	62.7	241	2.9	462	5.5	7,657	91.4	261	3.1
Foreign-born non citizen	7,885	100%	6.5%	4,027	51.1	3,607	45.7	251	3.2	709	9.0	6,781	86.0	394	5.0
Age Group															
15 to 24 years	6,299	100%	5.2%	3,167	50.3	2,998	47.6	134	2.1	1,223	19.4	4,895	77.7	181	2.9
25 to 34 years	20,374	100%	16.9%	9,316	45.7	10,585	52.0	473	2.3	4,084	20.0	15,705	77.1	585	2.9
35 to 44 years	21,414	100%	17.8%	9,147	42.7	11,802	55.1	465	2.2	3,994	18.7	16,821	78.6	599	2.8
45 to 54 years	24,658	100%	20.5%	9,901	40.2	14,040	56.9	717	2.9	3,823	15.5	19,991	81.1	844	3.4
55 to 64 years	22,036	100%	18.3%	8,315	37.7	13,168	59.8	554	2.5	2,538	11.5	18,865	85.6	633	2.9
65 years or more	25,625	100%	21.3%	7,264	28.3	17,604	68.7	757	3.0	1,447	5.6	23,351	91.1	828	3.2
Education															
No high school degree	14,321	100%	11.9%	7,250	50.6	6,597	46.1	474	3.3	2,666	18.6	11,013	76.9	642	4.5
High school degree	34,462	100%	28.6%	14,288	41.5	19,147	55.6	1,027	3.0	6,060	17.6	27,155	78.8	1,246	3.6
Some college	34,010	100%	28.2%	14,010	41.2	19,265	56.6	735	2.2	6,041	17.8	27,072	79.6	897	2.6
College degree	37,615	100%	31.2%	11,561	30.7	25,189	67.0	865	2.3	2,342	6.2	34,388	91.4	885	2.4
Employment Status															
Employed	72,580	100%	60.3%	28,391	39.1	42,502	58.6	1,688	2.3	9,936	13.7	60,699	83.6	1,945	2.7
Unemployed	6,779	100%	5.6%	3,583	52.9	3,044	44.9	151	2.2	1,951	28.8	4,624	68.2	204	3.0
Not in labor force	41,049	100%	34.1%	15,136	36.9	24,652	60.1	1,261	3.1	5,223	12.7	34,305	83.6	1,521	3.7
Household Income															
Less than $15,000	19,541	100%	16.2%	9,801	50.2	9,141	46.8	599	3.1	4,461	22.8	14,273	73.0	807	4.1
Between $15,000 and $30,000	22,073	100%	18.3%	9,931	45.0	11,423	51.8	719	3.3	4,417	20.0	16,789	76.1	867	3.9
Between $30,000 and $50,000	24,787	100%	20.6%	9,979	40.3	14,216	57.4	592	2.4	3,848	15.5	20,203	81.5	737	3.0
Between $50,000 and $75,000	21,975	100%	18.3%	7,832	35.6	13,644	62.1	499	2.3	2,485	11.3	18,898	86.0	592	2.7
At Least $75,000	32,032	100%	26.6%	9,566	29.9	21,774	68.0	692	2.2	1,898	5.9	29,466	92.0	668	2.1
Homeownership															
Homeowner	79,144	100%	65.7%	25,924	32.8	51,222	64.7	1,998	2.5	7,382	9.3	69,565	87.9	2,197	2.8
Non-homeowner	41,264	100%	34.3%	21,185	51.3	18,976	46.0	1,103	2.7	9,727	23.6	30,063	72.9	1,473	3.6
Geographic Region															
Northeast	21,784	100%	18.1%	8,201	37.6	13,016	59.7	568	2.6	2,035	9.3	19,109	87.7	641	2.9
Midwest	26,900	100%	22.3%	9,623	35.8	16,568	61.6	709	2.6	3,727	13.9	22,340	83.0	833	3.1
South	44,920	100%	37.3%	19,280	42.9	24,470	54.5	1,170	2.6	7,563	16.8	35,974	80.1	1,382	3.1
West	26,804	100%	22.3%	10,006	37.3	16,144	60.2	654	2.4	3,785	14.1	22,206	82.8	814	3.0
Metropolitan Status															
Metropolitan Area	100,311	100%	83.3%	38,733	38.6	58,893	58.7	2,685	2.7	13,833	13.8	83,284	83.0	3,193	3.2
Inside principal city	33,636	100%	33.5%	14,330	42.6	18,345	54.5	960	2.9	5,191	15.4	27,235	81.0	1,210	3.6
Not inside principal city	49,548	100%	49.4%	17,888	36.1	30,349	61.3	1,310	2.6	5,808	11.7	42,228	85.2	1,512	3.1
Not identified	17,127	100%	17.1%	6,514	38.0	10,198	59.5	414	2.4	2,834	16.5	13,822	80.7	471	2.8
Not in metropolitan area	19,193	100%	15.9%	7,946	41.4	10,851	56.5	396	2.1	3,084	16.1	15,649	81.5	460	2.4
Not Identified	903	100%	0.7%	430	47.6	454	50.2	19	2.1	191	21.2	694	76.9	17	1.9

Table 4: 2011 FDIC AFS Demographics of Transactions and Credit Products Usage

Appendices D: NVivo Word Cloud – Word Frequency Query from Literature Review and

Interviews Initial Input into NVivo – Top 100 words

After numerous iterations of data analysis and review, top 25 words.

IX BIBLIOGRAPHY

American Bankers Association (2014), Unbanked and Underbanked Consumers, *ABA Issue Summary,* Washington, D.C. 151-153. https://acbankers.org/Tools/CommTools/Mem/Documents/UnbankedandUnderbanked.pdf

Anderson, James C. and James A. Narus (1991), "Partnering as a Focused Market Strategy," *California Management Review*, 33 (Spring), 95-113.

Anderson, Paul F. (1986), "On Method in Consumer Research: A Critical Relativist Perspective," *Journal of Consumer Research*, 13 (September), 155–73.

Anderson, Paul F. (1988), "Relativism Revidivus: In Defense of Critical Relativism," *Journal of Consumer Research*, 15 (December), 403–6.

Ariely, D. (2009). *Predictably irrational, revised and expanded edition: The hidden forces that shape our decisions*. HarperCollins.

Arnold, Stephen J. and Eileen Fischer (1994), "Hermeneutics and Consumer Research," *Journal of Consumer Research*, 21 (June), 55–70.

Arnould, E. J., & Thompson, C. J. (2005). Consumer culture theory (CCT): Twenty years of research. *Journal of Consumer Research*, 31(4), 868-882

Assadourian, E. (2010). The rise and fall of consumer cultures. *State of the World*, 3-20.

Belk, Russell W. (1995), "Studies in the New Consumer Behavior," in *Acknowledging Consumption*, ed. Daniel Miller, London: Routledge, 58–95.

Berman, Barbara H. and Bogen, Jeffrey R., 2013, U.S. Bureau of Economic Analysis, (2013), "Annual Revision of the U.S. International Transactions Accounts, 2013, http://www.bea.gov/scb/pdf/2013/07%20July/0713_international_transactions_annual.pdf

Bernell, K. R. (2013). *Investigating US Household Consumer Banking Behaviors in the Twenty-First Century: The Relationship Between Unbanked Consumers and the US Financial Crisis of 2007-2008* (Doctoral dissertation, Georgetown University).

Berry, L. L. (1983). Relationship marketing. American Marketing Association.

Berry, L. L., & Parasuraman, A. (1991). *Marketing Services: Competing Through Quality*. New York: Free Press.

Berry, L. L. (1995). Relationship marketing of services—growing interest, emerging perspectives. *Journal of the Academy of marketing science*, 23(4), 236-245.

Bossone, B. (2001). Do banks have a future?: A study on banking and finance as we move into the third millennium. *Journal of banking & finance*, *25*(12), 2239-2276.

Bradley, C., Burhouse, S., Gratton, H., and Miller, R-A., (2009). Alternative Financial Service Providers – A Primer. Federal Deposit Insurance Corporation –White Paper. Washington, DC. http://www.fdic.gov/bank/analytical/quarterly/2009_vol3_1/AltFinServicesprimer.html

Bristor, Julia M. and Eileen Fischer (1993), "Feminist Thought: Implications for Consumer Research," *Journal of Consumer Research*, 19 (March), 518–36.

Burke, K., Lanning, J., Leary, J., and Wang, J., (2014). CFPB Data Point: Payday Lending. Consumer Financial Protection Bureau-Data Point. Washington, DC. http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf

Buckland, J., Hamilton, B., & Reimer, B. (2006). Fringe financial services, inner-city banking and community-based solutions. *Canadian Journal of Urban Research, 15*(1), 109-128.

Carten, M., Littman, D., Schuh, S., and Stavins, J. (2007). Consumer behavior and payment choice: 2006 conference summary, Public policy Discussion Papers, Federal Reserve Bank of Boston, No. 07,4. http://www.econstor.eu/bitstream/10419/59236/1/568698061.pdf

Caskey, J. P. (1994). *Fringe banking: Check-cashing outlets, pawnshops, and the poor*. Russell Sage Foundation.

Caskey, J. P. (1997). *Beyond cash-and-carry: Financial savings, financial services, and low income households in two communities*. Washington, DC: Consumer Federation of America.

Caskey, J. P. (2002). Bringing unbanked households into the banking system.*Capital Xchange*.

Center for Financial Services Innovation (2013). *Underbanked 101: U.S. Households By Banking Status* (pg. 5) Sources: 2011 FDIC National Survey of Unbanked and Underbanked Households, CFSI's 2011 Underbanked Market Sizing Study. Chicago: The Center for Financial Services Innovation.

Chuah, S. H., & Devlin, J. (2011). Behavioural economics and financial services marketing: a review. *International Journal of Bank Marketing*, 29(6), 456-469.

Clee, M. A., & Wicklund, R. A. (1980). Consumer behavior and psychological reactance. *Journal of Consumer Research* (Pre-1986), 6(4), 389.

Colin, C., & George, L. (2004). Behavioral economics: Past, present, future. Princeton: Princeton University Press.

Consumer Finance Protection Bureau (CFPB). 2013. *CFPB Study of Overdraft Programs: A White Paper of Initial Data Findings.* Washington, DC: CFPB. http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf

Creswell, J. W. (1998). *Qualitative inquiry and research design: Choosing among five traditions.* Thousand Oaks, CA: Sage.

Damar, H. E. (2009). Why do payday lenders enter local markets? Evidence from Oregon. *Review of Industrial Organization*, 34(2), 173-191.

Davis, G. B., et al. (2012). Writing the Doctoral Dissertation: A Systematic Approach, Barron's Educational Series, Incorporated.

Davis, M. S. (1971). That's interesting. *Philosophy of the Social Sciences*, *1*(2), 309-344.

Demirgüç-Kunt, A., & Klapper, L. (2013). Measuring financial inclusion: Explaining variation in use of financial services across and within countries. Brookings Papers on Economic Activity, 279-340.

Doyle, J., Lopez, J., & Saidenberg, M. (1998). How effective is lifeline banking in assisting the 'unbanked'?. *Current Issues in Economics and Finance*, 4(6).

Duncan, T., & Moriarty, S. E. (1998). A communication-based marketing model for managing relationships. *Journal of marketing*, *62*(2).

Dwyer, F. R., Schurr, P. H., & Oh, S. (1987). Developing buyer-seller relationships. *The Journal of marketing*, 11-27.

Easterly, W. (2001). *The elusive quest for growth: economists' adventures and misadventures in the tropics.* MIT press.

Eldred, M., (2008). How do you talk to your customers: A customer-centric approach to communications for financial services companies. Xerox Corporation - White Paper. Coleman Parks Research. http://www.xerox.com/downloads/usa/en/xgs/whitepapers/xgs_whitepaper_financial_services_customer_communications.pdf

Eisingerich, A. B., & Bell, S. J. (2006). Relationship marketing in the financial services industry: The importance of customer education, participation and problem management for customer loyalty. *Journal of Financial Services Marketing*, 10(4), 86-97.

Federal Deposit Insurance Corporation (FDIC). 2009. 2009 FDIC National Survey of Unbanked and Underbanked Households. Washington, DC: FDIC.

———. 2010. Addendum to the 2009 FDIC National Survey of Unbanked and Underbanked Households: Use of Alternative Financial Services. Washington, DC: FDIC.

———. 2012. 2011 FDIC National Survey of Unbanked and Underbanked Households. Washington, DC: FDIC.

———. 2013. Addendum to the 2011 FDIC National Survey of Unbanked and Underbanked Households: Use of Alternative Financial Services. Washington, DC: FDIC

Federal Trade Commission's Consumer Sentinel Network Data Book for January though December 2011, February 2012, http://www.ftc.gov/sentinel/reports/sentinel-annual-reports/sentinel-cy2011.pdf

Fellowes, M., & Mabanta, M. (2008). Converting Basic Financial Service Fees into Prosperity: An Untapped Opportunity for Consumers and Banks, (Washington: The Pew Charitable Trusts, 2008), http://www.pewtrusts.org/safebanking

Figart, D. M. (2013). Institutionalist policies for financial inclusion. *Journal of Economic Issues*, 47(4), 873-893.

Firat, A. Fuat and Alladi Venkatesh (1995), "Liberatory Postmodernism and the Reenchantment of Consumption," Journal of Consumer Research, 22 (December), 239–67

First Data Thought Leadership Team (2013). *Serving Unbanked and Underbanked Consumers*. White Paper. First Data Corporation. http://files.firstdata.com/downloads/thought-leadership/3762-Unbanked-Underbanked-Market-Insight.pdf

Fox, J. A. & Mierzwinski, E., (2001). *Rent-A-Bank Payday Lending: How Banks Help Payday Lenders Evade State Consumer Protections*. Consumer Federation of America (CFA) and US Public Interest Research Group (U.S. PIRG), Washington, D.C. Retrieved on September 4, 2011 from www.consumerfed.org/pdfs/paydayreport.pdf.

Garfinkel, H. (1967). *Studies in ethnomethodology* (p. 1). NJ: Englewood Cliffs.

Garbarino, E., & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *The Journal of Marketing*, 70-87.

Geertz, Clifford (1983), *Local Knowledge: Further Essays in Interpretive Anthropology*, New York: Basic Books.

Glaeser, E. L., & Scheinkman, J. (1998). Neither A Borrower Nor A Lender Be: An Economic Analysis of Interest Restrictions and Usury Laws 1. *The Journal of Law and Economics*, 41(1), 1-36.

Glaser, B. G. (1978). *Theoretical sensitivity: Advances in the methodology of grounded theory* (Vol. 2). Mill Valley, CA: Sociology press.

Gross, M. B., Hogarth, J. M., & Schmeiser, M. D. (2012). Use of Financial Services by the Unbanked and Underbanked and the Potential for Mobile Financial Services Adoption. *Federal Reserve Bulletin*, *98*(4).

Grubb, E. L., & Grathwohl, H. L. (1967). Consumer Self-Concept, Symbolism and Marketing Behavior: A Theoretical Approach. *Journal Of Marketing*, 31(4), 22-27.

Gundlach, G. T., Achrol, R. S., & Mentzer, J. T. (1995). The structure of commitment in exchange. *The Journal of Marketing*, 78-92.

Haggerty, A.G. (1988), "Banks' Selling Skills Are Still in First Gear", *National Underwriter*, Vol. 92 No.46, pp.4, 29.

Hawke, J. D. (2000). *Focus on retail financial services to underserved communities*. Washington, DC: Comptroller of the Currency.

Hawkins, J. (2011). Regulating on the fringe: Reexamining the link between fringe banking and financial distress. *Indiana Law Journal, 86*, 1361-1408.

Hill, R. P., Ramp, D. L., & Silver, L. (1998). The rent-to-own industry and pricing disclosure tactics. *Journal of Public Policy & Marketing*, 3-10.

Hirschman, Elizabeth C. (1993), “Ideology in Consumer Research, 1980 and 1990: A Marxist and Feminist Critique,” *Journal of Consumer Research*, 19 (March), 537–55.

Hogarth, J. M., & O'Donnell, K. H. (1999). Banking relationships of lower-income families and the governmental trend toward electronic payment. *Fed. Res. Bull.*, *85*, 459.

Hogarth, J. M., & O'Donnell, K. H. (2000). If you build it, will they come? A simulation of financial product holdings among low-to-moderate income households. *Journal of Consumer Policy*, *23*(4), 409-444.

Hogarth, J. M., & Anguelov, C. E. (2004). Are families who use E-banking better financial managers? *Journal of Financial Counseling and Planning*, 15(2), 61-77.

Holbrook, Morris B. and John O’Shaughnessy (1988), “On the Scientific Status of Consumer Research and the Need for an Interpretive Approach to Studying Consumption Behavior,” *Journal of Consumer Research*, 15 (December), 398–402.

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of management journal*, *43*(3), 249-267.

Hui, K. C. (2006). Relationship Marketing: Is It a Paradigm Shift? Retrieved April 2, 2014, from http://kchui.com/articles/Relationship_Marketing_Paradigm_Shift.pdf

Hudson, Laurel Anderson and Julie L. Ozanne (1988), “Alternative Ways of Seeking Knowledge in Consumer Research,” *Journal of Consumer Research*, 14 (March), 508–21.

Jackson, B. B. (1985). *Winning and keeping industrial customers: The dynamics of customer relationships*. Lexington, MA: Lexington Books.

Jinkook Lee, (2002) "A key to marketing financial services: the right mix of products, services, channels and customers", *Journal of Services Marketing*, Vol. 16 Iss: 3, pp.238 – 258

Julian, C. C., & Ramaseshan, B. (1994). The role of customer-contact personnel in the marketing of a retail bank's services. *International Journal of Retail & Distribution Management*, 22(5), 29.

Kahneman, D. (2003). Maps of Bounded Rationality: Psychology for Behavioral Economics. *American Economic Review*, 93(5), 1449-1475.

Kahneman, D., Slovic, P., & Tversky, A. (Eds.). (1982). *Judgment under uncertainty: Heuristics and biases*. Cambridge University Press.

Kapoulas, A., Murphy, W., & Ellis, N. (2002). Say hello, wave goodbye: missed opportunities for electronic relationship marketing within the financial services sector?. *International Journal of Bank Marketing*, *20*(7), 302-310.

Karger, H. J. (2007). America's Fringe Housing Market. *Journal of Policy Practice*, 6(3), 25-44.

Kennickell, A. B., & Kwast, M. L. (1997). *Who uses electronic banking?* (No. 1997-35). Board of Governors of the Federal Reserve System (US).

Khan, M. T. (2014). Relationship marketing - some aspects (review). *International Journal of Information, Business and Management*, 6(2), 108-122.

Khanna, T., & Palepu, K. G. (2010). *Winning in emerging markets: A road map for strategy and execution*. Harvard Business Press.

Khanna, T., & Palepu, K. (2006). Emerging giants. *Harvard business review,84*(10), 60-69.

Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, *75*(4), 41-48.

Kurke, L. B. (1988). Does adaptation preclude adaptability? Strategy and performance. *Institutional Patterns and Organizations. Culture and Environment.* Ballinger Publishing Company, Cambridge Massachusetts, 199-222.

LeBoeuf, M., Wollman, L., Werner, J., & Holland, S. (1989). *How to win customers and keep them for life*. Berkley Books.

Lee, C., Shleifer, A., & Thaler, R. H. (1991). Investor sentiment and the closed-end fund puzzle. *The Journal of Finance*, *46*(1), 75-109.

Lee, R., & Fielding, N. (1996). Qualitative data analysis: representations of a technology: a comment on Coffey, Holbrook and Atkinson.

Lee, J. (2002). The poor in the financial market: changes in the use of financial products, institutions, and services from 1995 to 1998. *Journal of Consumer Policy*, *25*(2), 203-231.

Lim, Y., Livermore, M., & Davis, B. C. (2011). Tax filing and other financial behaviors of EITC- eligible households: Differences of banked and unbanked. *Journal of Financial Counseling and Planning*, 22(2), 16-27,75-76.

Linn, C. J. (2008). Regulating the cross-border movement of prepaid cards. *Journal of Money Laundering Control*, 11(2), 146-171.

Lusardi, A. (2001). Explaining why so many people do not save. *Center for Retirement Research Working Paper*, (2001-05).

Maxwell, J. A. (1998). Designing a qualitative study. *Handbook of applied social research methods*, 69-100.

McMenamin, I. (2006). Process and text: Teaching students to review the literature. *PS: Political Science and Politics*, 39(1), 133–135.

Merriam, S. B. (1998). *Qualitative research and case study applications in education*. San Francisco: Jossey-Bass.

Mick, David Glen, James E. Burroughs, Patrick Hetzel, and Mary Yoko Brannen (2004), "Pursuing the Meaning of Meaning in the Commercial World: An International Review of Marketing and Consumer Research Founded on Semiotics," *Semiotica*, 152 (1–4), 1–74.

Moorman, C., Deshpande, R., & Zaltman, G. (1993). Factors affecting trust in market research relationships. *The Journal of Marketing*, 81-101.

Montalto, C. P., & Sung, J. (1996). Multiple imputation in the 1992 Survey of Consumer Finances. *Financial Counseling and Planning*, *7*(1), 133-146.

Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *The Journal of Marketing*, 20-38.

Mullainathan, S., & Thaler, R. H. (2000). Behavioral economics (No. w7948). National Bureau of Economic Research.

Murray, Jeff B. and Julie L. Ozanne (1991), "The Critical Imagination: Emancipatory Interests in Consumer Research," *Journal of Consumer Research*, 18 (September), 129–44.

O'Donoghue, T., & Rabin, M. (2001). Risky behavior among youths: Some issues from behavioral economics. In *Risky behavior among youths: An economic analysis* (pp. 29-68). University of Chicago Press.

Oliver, C. (1991). Strategic responses to institutional processes. *Academy of management review*, 16(1), 145-179.

O'Malley, L., & Tynan, C. (2000). Relationship marketing in consumer markets–rhetoric or reality?. *European Journal of Marketing*, *34*(7), 797-815.

Patton, M.Q. (1990). *Qualitative evaluation and research methods* (2nd ed.). Newbury Park, CA: Sage Publications.

Patton, M. Q. (2002). *Qualitative research & evaluation methods* (3rd ed.). Thousand Oaks, CA: Sage Publications.

Payne, S. (2007). Grounded theory. In E. Lyons & A. Coyle (Eds.), *Analyzing qualitative data in psychology* (pp. 65–86). London: Sage.

Popescu C, Popescu V, Popescu G. Emerging Markets -- New Challenges Of The Contemporary Society. *Managerial Challenges Of The Contemporary Society* [serial online]. June 2011;(2):228-234.

Pranjana, (2009) *The Journal of Management Awareness* . Jan-Jun2009, Vol. 12 Issue 1, p100-110. 11p.

Rhine, S. W., & Greene, W. H. (2013). Factors That Contribute to Becoming Unbanked. *Journal Of Consumer Affairs*, 47(1), 27-45.

Rodes, B. K., & Odell, R. (1992). *Dictionary of environmental quotations*. Simon & Schuster.

Ross, L., & Nisbett, R. E. (1991). *The person and the situation: Perspectives of social psychology*. Mcgraw-Hill Book Company.

Rossman, G. B., & Rallis, S. F. (1998). *Learning in the field: An introduction to qualitative research*. Thousand Oaks, CA: Sage.

Schwartz, A. (1998). Bank Lending to Minority and Low-Income Households and Neighborhoods: Do Community Reinvestment Agreements Make a Difference?. *Journal of Urban Affairs*, *20*(3), 269-301.

Seidman, E., Hababou, M., & Kramer, J. (2005). A financial services survey of low-and moderate-income households. *Center for Financial Services Innovation. http://www/chicagofed. org/cedric/files/2005conf_paper_session2_seidman.pdf*

Seidman, E., Hababou, M., & Kramer, J. (2005). Getting to Know Underbanked Consumers: A Financial Services Analysis. *Chicago: The Center for Financial Services Innovation*.

Seidman, I. (1998). *Interviewing as qualitative research: A guide for researchers in education and the social sciences*. New York: Teachers College Press.

Seller, P., "*Getting Customers to Love You*", Fortune Magazine, 13 March 1989.

Servon, Lisa. "Ritecheck 12", Public Books Article, 10 July 2013.

Servon, L. J., & Kaestner, R. (2008). Consumer financial literacy and the impact of online banking on the financial behavior of lower-income bank customers. *The Journal of Consumer Affairs*, 42(2), 271-305.

Shefrin, H., & Statman, M. (1985). The disposition to sell winners too early and ride losers too long: Theory and evidence. *The Journal of finance*, *40*(3), 777-790.

Sherry, John (1991), “Postmodern Alternatives: The Interpretive Turn in Consumer Research,” in *Handbook of Consumer Research*, ed. Thomas S. Robertson and Harold H. Kassarjian, Englewood Cliffs, NJ: Prentice Hall, 548–91.

Sherry, John F. and Robert V. Kozinets (2001), “Qualitative Inquiry in Marketing and Consumer Research,” in *Kellogg on Marketing*, ed. Dawn Iacobucci, New York: Wiley & Sons, 165–94.

Sherry, John (2004), “Culture, Consumption, and Marketing: Retrospect and Prospect,” in *Elusive Consumption*, ed. Karin M. Ekstrom and Helene Brembeck, Oxford: Berg, 45–64.

Shobe, M. A., Christy, K., Givens, A., & Murphy-Erby, Y. (2013). The Fringe Economy: Predictors Of Utilization Among Low- And Moderate-Income Households. *International Journal of Arts & Sciences*, 6(3), 375-389.

Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, *69*(1), 99-118.

Smith, M. M., Wackes, J., & Smith, T. E. (2013). A note on alternative financial service providers and the spatial void hypothesis. *The Annals of Regional Science*, 51(2), 575-591.

Stegman, M. A., & Faris, R. (2003). Payday lending: A business model that encourages chronic borrowing. *Economic Development Quarterly*, *17*(1), 8-32.

Stegman, M. A. (2007). Payday lending. *The Journal of Economic Perspectives*, 21(1), 169-190.

Strauss, A. (1987). *Qualitative Analysis for Social Scientists*. Cambridge: Cambridge University Press.

Strauss, A., and J. Corbin. (1990). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park, CA: Sage Publications.

Tellalian, D., Tseng, T., and Constantine, E. (2010). Unbanked By Choice: A Look At How Low-Income Los Angeles Households Manage the Money They Earn, (Washington: The Pew Health Group, 2010), http://www.pewtrusts.org/safebanking

Temkin K. & Sawyer, N. (2004). *Analysis of Alternative Financial Service Providers*. Prepared for The Fannie Mae Foundation by the Urban Institute Metropolitan Housing and Communities Policy Center. Report

Thaler, R. (1985). Mental accounting and consumer choice. *Marketing science*,*4*(3), 199-214.

Thaler, R. H., & Benartzi, S. (2004). Save more tomorrow™: Using behavioral economics to increase employee saving. *Journal of political Economy*,*112*(S1), S164-S187.

Thaler, R.H., & Mullainathan, S. (2008) "Behavioral Economics." The Concise Encyclopedia of Economics. Library of Economics and Liberty.

Thomas, D.R.E., "Strategy is Different in Services Businesses", *Harvard Business Review*, July/August 1978, pp. 158-65.

U.S. Department of Commerce, (2012) "Income, Poverty, and Health Insurance Coverage in the United States: 2011, http://www.census.gov/prod/2012pubs/p60-243.pdf

U.S. Postal Service Office of Inspector General (2014). *Providing Non-Bank Financial Services for the Underserved*. White Paper. U.S. Postal Service. https://www.uspsoig.gov/sites/default/files/document-library-files/2014/rarc-wp-14-007.pdf

Van Slyke, C., Lou, H., Belanger, F., & Sridhar, V. (2010). The Influence of Culture on Consumer-Oriented Electronic Commerce Adoption. *Journal of Electronic Commerce Research*, 11(1), 30-40.

Wang, F., Head, M. (2005). "Consumer Relationship Marketing on the Internet: An Overview and Clarification of Concepts", *Innovative Marketing*, 2005(1), 55-68.

Webster Jr, F. E. (1992). The changing role of marketing in the corporation. *The Journal of Marketing*, 1-17.

Wong, S. M., & Perry, C. (1991). Customer service strategies in financial retailing. *International Journal of Bank Marketing*, *9*(3), 11-16.

Worrell, K. C. (2010). Citizens Divided On Citizens United: Campaign Finance Reform And The First Amendment: Crisis as a Catalyst for Federal Regulation in Financial Markets: The Rise of the Consumer Financial Protection Bureau. *Nexus J. Op.*, *16*, 195-195.

Yoon, I., & Chung, I. (2010). Wal-mart's nontraditional banking business and corporate social responsibility. *Social Responsibility Journal*, 6(4), 551-561.

VITA

Dr. Rebecca Staunton was born in New York State and has led numerous international change initiatives for Fortune 500 financial services and banking corporations. She is now founder and CEO of a California-based boutique management consultancy firm. In addition to her Executive Doctorate in Business from the Robinson College of Business at Georgia State University, she has earned a Bachelor of Science in Business Administration from the College of Charleston, SC; a Master's of Science in Technology Management from Mercer University in Atlanta, GA; a Project Management Certification (PMP®) from the Project Management Institute in Newton Square, PA; and Scrum Master Certification (CSM) from Scrum Alliance Incorporated in Indianapolis, IN.