

Managers' Perception of Financial Inclusion in Urban Low-Income Families in Sri Lanka

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This paper aimed to examine the impact of manager perception on financial inclusion among low-income populations in urban Sri Lanka. To achieve the objectives, data was collected from forty-two bank managers from the Colombo and Kolonnawa divisional secretariat. The Partial least square structural equation modelling analyzed the data. According to the study managers' perceptions of age, income, and occupation positively affected financial inclusion. However, their perception of education, financial awareness, Residence, and bank history do not significantly impact financial inclusion in urban low-income families. The study also identified that most bank branch managers had overall negative attitudes regarding poor people, especially when it comes to loan provision. Bank managers believed that lending to the poor carries high risks, and nearly all associated the poor with high-level loan diversion. Therefore, the study suggests that authorities take necessary steps to introduce easy loan schemes for the urban poor and a follow-up mechanism should be established to ensure the effective utilization of loans. Besides, financial awareness programmes should be carried out to make them aware of possible, and affordable financial products and services.

Keywords: *Manager, Perception, Financial Inclusion, Urban, Low-income Population*

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1. Introduction

Financial inclusion for all citizens, particularly low-income groups, is vital for promoting inclusive growth. The banking sector in Sri Lanka is expected to enhance financial inclusion and support economic activities throughout the country. In Sri Lanka, most studies on poverty have been centred on the rural poor and urban poverty has received little attention from the policymakers. At present due to rapid urbanization and internal migration from rural areas to urban areas in search of better employment opportunities and improved standard of living, the low-income population in urban areas are increasing. However, most of the working population in urban areas work under utterly deplorable conditions in unorganized sectors with very few livelihood options. Thus, with the rapid population growth of cities and limited space, slums became the breeding grounds of urban poverty.

Financial inclusion is the sustainable provision of affordable financial services that bring the public (including the poor) into the formal financial system. Therefore, any country can use various methods to promote financial inclusion for people, so that they can actively engage in formal economic activities with the help of formal financial products and services. In this setting, banks have a new mission to enrich with the required facilities including modern technology, financial innovations, new products and services and extended service provision to help stakeholders benefit from the financial system.

Considering the Sri Lankan context, in 2019, the Sri Lankan Central Bank conducted the National Financial Inclusion Survey³ (NFIs) with technical assistance from the International Finance Corporation (IFC) to measure the status of Financial Inclusion in Sri Lanka. The Central Bank continued to conduct programs to improve financial literacy, targeting those excluded from the formal financial sector. Sri Lanka has a diverse financial sector, including formal, semi-formal, and informal financial service providers. Currently, there are 24 licensed commercial banks and six licensed specialized banks in the formal sector (CBSL, 2018). Physical access points include over 7000 bank branches or outlets and 6637 Auto Teller Machines (ATM) island-wide. As of March 2022, the bank branch density in Sri Lanka was 16 branches per 100,000 adults⁴. Sri Lanka has made good improvements in terms of basic financial inclusion metrics. For example, the number of adults with accounts at formal financial institutions was 74 per cent, ahead of the regional average in South Asia of 68 per cent (Demirguc-K., et al., (2017). Compared to the rest of the world, accounts per 100,000 adults are higher in Sri Lanka than in other South Asian countries except India, and bank branches per 100,000 adults are higher than in all other South Asian countries. The ATMs spread in Sri Lanka rank lower than other South Asian countries.

Even though Sri Lanka enjoys a high level of banking penetration, the level of financial inclusion remains low. In the past year, 26 per cent of adults have made no deposit or withdrawal, only 29 per cent of adults have savings at formal financial institutions, and 17 per cent have loans. Although Sri Lanka has higher branches and ATMs, it ranks lower than other South Asian countries. Still, close to 45 per cent of remittances of migrant workers are sent through informal channels (Global Findex,

³ The key objective of the NFIS is to enhance a more effective and efficient process to improve financial inclusion across the country. Source: <https://economynext.com/sri-lanka-to-publish-national-financial-inclusion-survey-in-2019-29798/>

⁴ Annual Report CBSL, 2021.

2020). Even though facilities are provided, the level of financial inclusion is still unsatisfactory in the Sri Lankan setting. Various factors might affect financial inclusion, and among them, one's view on financial services rests above all.

Perception is one of the most influential factors in an individual's decision-making process. Perception toward community, products, or services significantly affects individual decision-making. This is common to all, including customers and service providers. Also, perception is "the process of selecting, organizing and interpreting information inputs to produce meaning that would aid in consumption decision-making (Madichie, 2012). Consumer attitude is simply a composite of a consumer's ideology, feelings, and psychological motives (Perner, 2010, cited in Alsamydai, Sanad, Albairooti, 2014). According to that, perception is formed as a result of interpreting the experience. Perception can be defined as how a person chooses, organizes, and interprets stimuli (Asfore, 2010). According to that perception, concepts can be changed. Considering especially the bank manager's perception of urban low-income earners is dubious and not clear (Jones, et al, 2007). However, so far, proper research has not been conducted to address this issue in Sri Lanka. Therefore, this study aims to investigate whether manager perceptions affect financial inclusion in low-income families in Sri Lanka.

Customer and manager relationship is very critical to understanding financial performance impact. Most researchers in this area primarily study customers, which seems a limitation to drawing a clear-cut conclusion. However, studies have captured gaps between managers and customer perceptions (Mbama et al., 2013). Managers are the platform between banks and customers and are responsible for offering banking services. Julien & Tsoni (2013) compared customer and staff perceptions of service quality of bank services. Luk and Layton (2002) found gaps between customers' and managers' perceptions of financial expectations.

Investigating the level of urban financial inclusion and studying the manager's perception is becoming interesting. This study focuses on that area and understands the nature of financial inclusion of urban low-income families in Sri Lanka. This paper aims to identify the impact of manager perception on financial inclusion.

The rest of the paper is structured as follows. The next section of the paper presents a broad review of the empirical base on the manager perception and financial inclusion. Section 3 explains the methodology of the study. Section 4 discusses the results and discussion of the findings. Section 5 of the paper summarises the conclusion drawn from the research.

2. Review of literature

Although financial services are essential for alleviating income inequality, formal financial institutions serve a limited portion of rural and urban populations. The bank's role in providing financial services to people experiencing poverty needs to be investigated. There is no point in believing that the banks have been willing or able to operate as development institutions for people with low incomes (Magregor, 1988, cited in Jones. et al., 2007; Jones. et al., 2007). Most rural bank branch managers had overall negative attitudes regarding the rural community. According to the research, more than half the managers believed that lending to the rural poor carries high risks and a high-level loan diversion.

Major bank branches in some areas often fail to operate successfully there because they need to speak the financial language of people experiencing poverty and understand poor customers (Baradaran, 2012, cited in Mende, et al., 2019). Bank managers must pay more attention to low-income earners, mostly in rural areas. Financial institutions have taken many initiatives to increase the financial inclusion of low-income earners. Therefore, it is difficult to say that the attitude of bank managers towards low-income earners is negative.

Banks and credit unions can expand the services they provide for low-income groups; there may also be policies that would make informal financial services less attractive. The introduction of agent banking has significantly contributed to reaching the underserved. Commercial banks should consider promoting this method, which has been effective for inclusion. Most banks provide financial literacy to all customers, particularly low-income segments. Banks have consumer protection mechanisms and engage in various initiatives to enhance financial inclusion (Nkuna et al., 2018). Besides, Julien & Tsoni (2013) compared staff and customers' perceptions of service quality in banking services. A customer's perception of service quality can generally be divided into reliability, responsiveness, assurance, empathy, and tangibility. Services quality was clarified in the last parts with the help of the quality dimensions. The SERVQUAL model, introduced by Zeithaml, Parasurman, and Berry in 1988, is the most widely used method to measure customer-perceived service quality. This instrument is based on ten points and the aspects of customer service expectations and service experiences delivered. In the later study, these points were reduced to the five previously mentioned in the text: reliability, assurance, tangibility, empathy, and responsiveness (Aspfors, 2010).

Although digital banking has developed among leading financial institutions, it is necessary to understand the impact on customer experience and bank financial performance, especially from the manager's perspective who implements banking. Banks can improve financial performance and financial inclusion using digital banking. Also, the study revealed that the features affecting the digital banking experience are service quality, service customization, service speed, employee-customer engagement, customer experience, satisfaction, and loyalty, and it affects financial performance (Mbama et al., 2018). It is essential to examine banking staff and customer perception to identify perception-based gaps and improve co-production service quality.

Banks trust that ICT can act as a development platform that helps to extend financial services in remote rural areas. Provide financial services at a bearable cost to the unserved and underprivileged people of the country, and most people in the country do not have products that satisfy their financial needs. Most banks have identified this requirement (Bansal, 2014). World Development Report (WDR) (2016) has shown that digital finance has promoted financial inclusion, providing access to financial services to many of the 80 per cent of poor adults excluded from the regulated financial sector. The country's financial inclusion continued to improve with the penetration of financial access points. Most central has taken several initiatives to increase financial inclusion in the country. Central banks encouraged and facilitated the expansion of the branch network and service points of the licensed banks and non-bank financial institutions, the key players in the financial inclusion landscape. The critical gaps in financial inclusion remain. Banks report further mentioned that it has increased by low levels of financial literacy across the regions and different segments of society, as well as limited usage of digital finance. Providing financial services to low-income groups may not solve all their problems, but it gives them the power and resources to make decisions that could help them move

out of poverty and lead better lives. Formal financial services can positively impact financial inclusion (Mindra et al., 2017, cited in Kumar Vaid, Singh & Sethi, 2020).

According to Nkuna, et al. (2018), the Bank was asked what the barriers to using formal financial institutions by low-income earners are. Banks outlined a list of the obstacles. It revealed that Most banks perceived distance as one of the most critical barriers to accessing banking services by low-income earners. In addition, banks stated that they perceive bank charges as a significant barrier. In most African countries, bank charges are extremely high relative to the income of the rural population. The research found that bank charges alone can exclude 50 per cent of the population of most African countries like Kenya, Malawi, and Uganda. Besides, a lack of bank knowledge and relevant information is another significant barrier to accessing banking services. A developing country generally has high financial illiteracy across population segments and educational levels. Despite a few banks indicating this as a barrier, there is still a need to intensify financial education programs for financial inclusion, whose goal will generally be to support positive behavioural change in the underserved community (Nkuna et al., 2018).

Hossain et al. (2016) examined management perception regarding bank services and tried to examine the client perception. The study collected primary data through the questionnaire method. It has been found that providing customer-oriented services can ensure customer satisfaction. In addition, the study reveals a gap between many banks' management and customer expectations and that customers require different types of needs-based, well-planned, and prompt services.

Studies on this issue in the Sri Lankan setting are limited in number and can hardly be found. Therefore, an investigation into such an issue is important as official reports have emphasized that the level of financial inclusion is still low in Sri Lanka. Besides, among the many factors, the institutional view on financial inclusion is also influential especially when it comes to the low-income populations' inclusivity. This study therefore fills the void in the literature and suggests ways to extend services with good attitudes towards the customers to enhance inclusivity.

3. Methods of analysis

The study is based on primary data, where the field of study is Colombo and Kolonnawa secretariats in the Colombo districts. The purposive sampling is utilized for area selection. When selecting the area, we focused on two things, i.e. the bank density and the higher proportion of urban low-income population. Thus, Colombo district was chosen because it represents the highest number of urban low-income populations and the highest banking density. Considering financial inclusion, the western province has the lowest bank account ownership of the urban sector in the country, even though it is the ground for leading information technology companies and financial institutions.

Data was collected through a sample survey utilizing a semi-structured questionnaire. The sample consists of forty-two (42) bank managers from two state banks, i.e. Peoples Bank and Bank of Ceylon, and two private banks, i.e. Commercial Bank and Sampath Bank. The respondents were selected using the random sampling method.

Manager perception (MPECR) was measured using a Likert scale. Questions were asked for seven variables related to banks' access and usage. Those are namely, age, bank history, education level, financial awareness, income, occupation, and residence. The data collection was done from July 2022 to August 2022.

The main analytical method of this study is Partial Least-squares structural equation modelling (PLS-SEM) techniques using smart PLS (4). The researcher used PLS-SEM to test the hypothetical relationship between the dependent and independent variables.

The systematic evaluation of PLS-SEM follows a two-step process- first, assessment of the measurement model, and second, assessment of the structural model. The measurement model helps to decide the properties of the scales, and the structural model establishes the relationships among the variables. The measurement model is evaluated using reliability and validity tests. The structural model was evaluated using several steps: assessing collinearity issues, assessing the level of R², assessing the effect sizes (f^2) size, and the significance of path coefficients assessing the coefficient of determination.

4. Results and discussion

4.1 PLS-SEM analysis: Measurement model

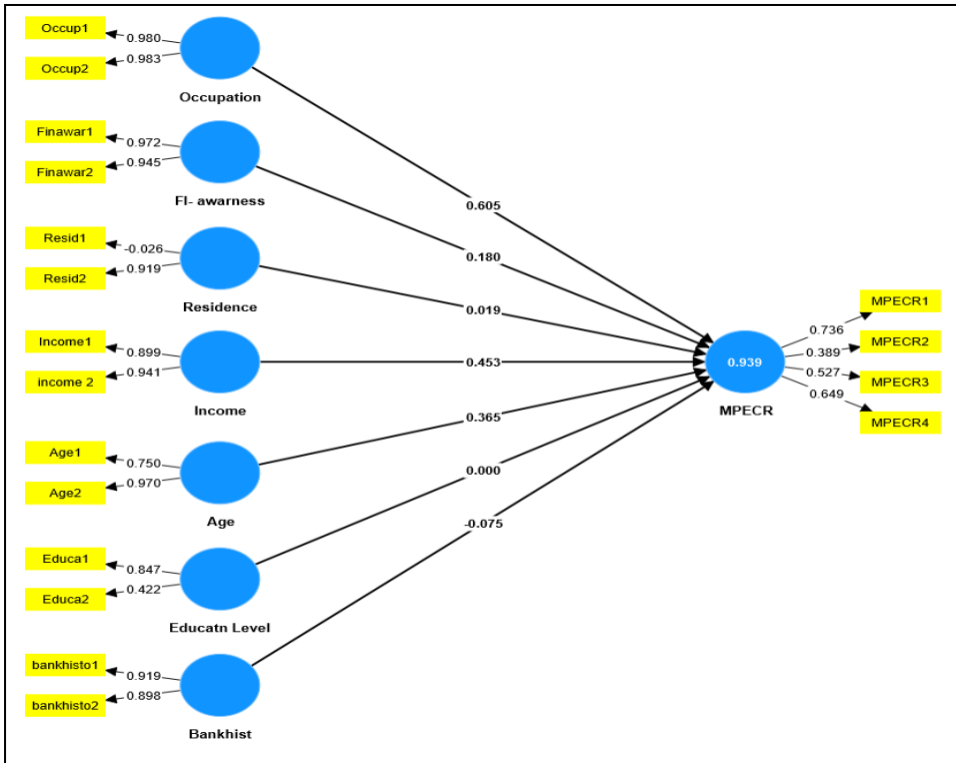
The measurement model is constructed to establish the relationship between observed measures and underlying factors of a variable (Hair et al., 2016). Based on the PLS-SEM measurement of the outer model, first, in the study, all constructs and their related measurement item were assessed in terms of (a) internal consistency reliability, (b) convergent validity, and (c) discriminant validity to ensure that they met the required measurement quality standards. Table 4.35 shows factor loadings, which were statistically significant at 0.05 and 0.1 significant levels except for a few variables.

Table 1: Measurement model

Construct (Independent variables)	Indicator Reliability Internal Consistency Reliability			Convergent Validity
	Factor loading	Composite reliability (CR)	Cronbach's Alpha	AVE
1) Age		0.856	0.724	0.752
Age 1 – Account	0.750			
Age 2 – Loans	0.970			
2) Bank history		0.904	0.789	0.825
Bank history 1 – Account	0.919			
Bank history 2 – Loans	0.898			
3) Education Level		0.593	-0.283	0.448
Education 1 – Account	0.847			
Education 2 – Loans	0.422			
4) Financial Awareness		0.958	0.914	0.919
Fin. Awareness 1 –Account	0.972			
Fin. Awareness 2 – Loans	0.945			
5) Income		0.917	0.821	0.846
Income 1 – Account	0.899			
Income 2 – Loans	0.941			
6) Occupation		0.981	0.962	0.963
Occupation 1 – Account	0.980			
Occupation 2 – Loans	0.983			
7) Residence		0.408	0.541	0.423
Residence 1 – Account	0.026			
Residence 2 – Loans	0.919			
8) Manager Perception		0.670	0.405	0.348
Q1. Satisfied regarding the access (MPCR1)	0.736			
Q2. Satisfied regarding usage (MPCR2)	0.389			
Q3. Overall satisfaction (MPCR3)	0.527			
Q4. Income level is a crucial factor in access (MPCR4)	0.649			

Source: PLS-SEM result output, 2022, N=42

Figure1: PLS-SEM main model



Source: PLS-SEM result output, 2022, N=42

4.1.1 Internal consistency reliability

Content validity involves measuring all constructs included and represented theories used in the study (Crocker & Algina (1986). A measurement model explains satisfactory internal consistency reliability when each construct's composite reliability (CR) exceeds the threshold value of 0.7. Also, Table 4.35 shows that Cronbach's alpha (α) is higher than the recommended amount of 0.7 and the composite reliability is higher than 0.7, establishing internal consistency reliability.

All indicators' reliability values were higher than the recommended threshold level. However, as shown in Table 4.35, when concerned with the two indicators of the Education variable, while the Education1- Accounts indicator reliability value was above the recommended value, the Education 2 -Loans indicator reliability value was below the recommended value. It was 0.044. It indicates that bank managers are not concerned about education for taking a loan from banks. In addition, when concerned with two indicators of residence variable, residence 1-Accounts indicator reliability values were below the recommended value. It was 0.026; It indicate that bank managers are not concerned about the residence for access to the bank as a compulsory factor. Therefore, it can be seen that the indicator has weak reliability. Based on the overall results the indicator reliability of the model seems

reasonable. As shown in Table 1, Cronbach's alpha value for five independent variables is between 0.724 to 0.962. Those variables are Age, income, bank history, financial awareness, and customer occupation. However, Cronbach's alpha value for educational level and Residence is lower than the recommended amount of 0.7. Besides, the composite reliability was higher than 0.7, establishing internal consistency reliability except for variables of education and Residence. Thus, education and residence cannot be considered significant factors here.

4.1.2 Convergent validity

Convergent validity examines whether the measure of the items correlates highly with each other (Sekaran,2000). Convergent validity describes how closely a given scale is related to other measures of the same variable. Convergent validity can be evaluated by two measures; (a) outer loading of the indicators and (b) average variance extracted (AVE). In this case, the resulting value of outer loading is higher than the recommended value of 0.7, except for a few variables. The outer loading is between 0.750 and 0.983. The study results show that the value of outer loading of most variables including Age, financial awareness, income, and occupation are closely given scales related to other measures. However, in the case of educational level (educa2), the value of the outer loading is 0.422; for residence (Resid1), it is 0.026; manager perception (MPECR2, MPECR3, MPECR4), it is 0.389,0.527, and 0.649 respectively. An average variance extracted (AVE) value of 0.50 or higher indicates that, on average, the variable explains more than half of the variance of its indicators. In this case, Age, Bank history, financial awareness, income, and occupation explain more than half of the variance of its indicators. Also, an education level (AVE=0.448) and Residence (AVE=0.423) explain lower variances of its indicators. Thus, again education and residence became insignificant.

4.1.3. Discriminant validity

Discriminant validity measures how items correlate highly with each other under the construct used to measure the same variable (Sekaran, (2000); Hair, (2010)). This can be evaluated under three criteria, i.e. (a) Cross-loadings, (b) the Fornell - Larcker Criterion, and (c) the Heterotrait - Monotrait Ratio (HTMT). Discriminant validity is the amount to which a variable is genuinely distinct from other constructs by empirical standards. Results show that all values of outer loading on the associated variable are greater than of correlations on other constructs.

Table 2: Discriminant validity - Cross loading

Cross loading								
	<i>Age</i>	<i>Bank history</i>	<i>Education level</i>	<i>Financial awareness</i>	<i>Income</i>	<i>MPE CR</i>	<i>Occupation</i>	<i>Residence</i>
Age1	0.750	-0.149	-0.106	0.098	0.073	0.192	-0.107	0.018
Age2	0.970	-0.089	-0.215	0.197	0.081	0.527	0.104	0.112
Educa1	-0.28	0.187	0.847	-0.074	-0.01	0.073	0.309	-0.004
Educa2	0.098	-0.004	0.422	-0.188	0.151	0.043	0.008	0.203
Finawar1	0.190	-0.036	-0.108	0.972	0.027	0.336	0.102	-0.068
Finawar2	0.167	-0.008	-0.237	0.945	0.007	0.241	0.051	-0.076
Income1	0.021	0.206	0.072	-0.045	0.899	0.492	0.245	0.084
income 2	0.126	0.069	0.061	0.066	0.941	0.636	0.192	0.210
MPECR1	0.080	0.357	0.293	0.103	0.242	0.736	0.983	0.249
MPECR2	0.147	-0.172	-0.23	0.788	0.084	0.389	0.063	0.008
MPECR3	0.970	-0.089	-0.215	0.197	0.081	0.527	0.104	0.112
MPECR4	0.134	0.074	0.081	0.049	0.927	0.649	0.193	0.168
Occup1	0.019	0.418	0.268	0.060	0.214	0.674	0.980	0.249
Occup2	0.080	0.357	0.293	0.103	0.242	0.736	0.983	0.249
Resid1	0.174	0.158	-0.438	0.418	-0.211	-0.085	-0.139	-0.026
Resid2	0.157	0.101	-0.075	0.096	0.073	0.214	0.181	0.919
bankhisto1	-0.033	0.919	0.071	-0.060	0.110	0.172	0.350	0.087
bankhisto2	-0.184	0.898	0.246	0.018	0.147	0.154	0.366	0.017

Source: PLS-SEM Result Output, 2022, N=42

According to Table 2, the square root of all variables' Average variant extracted (AVE) exceeds its highest correlation with any other construct. In this study, the square root of AVE for a construct was found to be greater than its correlation with other constructs (Table 2). Hence providing strong support for the establishment of discriminant validity. Therefore, the Fornell - Lacker Criterion was achieved according to the below results.

Table 3: Discriminant validity - Fornell Lacker criterion

	Age	Bank history	Education level	Fi-awareness	Income	MPECR	Occupation	Residence
Age	0.867							
Bank History	-0.115	0.908						
Edu- Level	-0.204	0.169	0.669					
Fi-awareness	0.187	-0.025	-0.168	0.959				
Income	0.086	0.140	0.072	0.019	0.920			
MPECR	0.480	0.180	0.090	0.309	0.621	0.590		
Occupation	0.052	0.393	0.286	0.084	0.233	0.720	0.982	
Residence	0.095	0.042	-0.074	0.074	0.168	0.267	0.254	0.650

Source: PLS-SEM Result Output, 2022, N=42

4.2. Assessment of significance and relevance of the structural model relationship

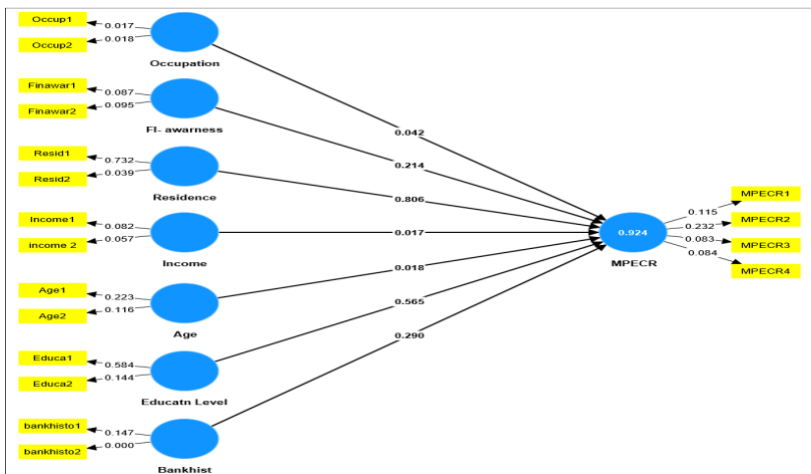
The study assessed the significance of the path coefficients using t-statistics. Within the structural model, each path connects two latent variables representing a hypothesis path coefficients allow the researchers to confirm or disconfirm each hypothesis and better understand the strength of the relationship between dependent and independent variables. Path coefficients can be explained as standardized beta coefficients that are calculated in ordinary least squares regression. The bootstrapping technique determines the significance of path coefficients and t-statistics. Path coefficients between latent variables are assessed to test the proposed hypotheses and the structural model. A path coefficient value should be at least 0.1 to have a certain effect within the model (Hair et al.,2011; Wetzels et al., 2009); in this model, three of the hypotheses have a significant impact at the level of 0.05 (see Table 5). Table 4.40 shows that three hypothetical relationships are statistically significant while the relationship between bank history, educational level, financial awareness, and Residence is not significant.

Table 5: Path coefficients and significance among the constructs

H	Relationship	B	T Statistic	P value	Result
H ₁	Age > Manager Perception	0.446	2.364	0.018	Significant
H ₂	Bank history > Manager Perception	-0.082	1.059	0.290	Not Significant
H ₃	Education > Manager Perception	-0.038	0.576	0.565	Not Significant
H ₄	Fi- awareness > Manager Perception	0.211	1.242	0.214	Not Significant
H ₅	Income > Manager Perception	0.434	2.391	0.017	Significant
H ₆	Occupation > Manager Perception	0.542	2.031	0.042	Significant
H ₇	Residence > Manager Perception	0.016	0.245	0.806	Not Significant

Source: PLS-SEM Result Output, 2022

Figure 3: PLS bootstrapping model



Source: PLS-SEM Result Output, 2022

Figure 3 and Table 5 will help understand the status of the hypotheses. The study shows that three independent variables positively affect manager perception of financial inclusion. Considering customer's age, the result shows that age positively impacts manager perception. Which on the other hand emphasized that managers' perception on customer's age highly influential and therefore, age is a significant determinant of financial inclusion.

The outer loading of age for opening an account (0.750) and age for access to credit (0.970) is high. We accept H₁. Age for opening an account and access to credit have positive relationships and sub-dimensions of customer's age. Therefore, age has a positive impact on manager perception towards financial inclusion by 44.6 per cent (B=0.446), the *t* statistic is positive significant (t=2.364), and the P value is less than 0.05 (P=0.018). Thus, hypothesis H₁: There is a positive relation between customer's age and manager perception.

The next hypothesis was that H₂. The result shown in Table 5 concluded that customers' bank history and manager perception are negatively related by 8.2 per cent (B=0.082). Although the outer loading of bank history for opening a bank account and access to credit is greater than 0.850, the *t* statistic is not significant (t=1.059), and the P value is greater than 0.05 (P=0.290). The result did not support hypothesis H₂. Thus, hypothesis H₂: customer's bank history has a negative significant impact on manager perception.

The third hypothesis was that H₃, that is the education level of opening a bank account and access to credit had outer loading lower than 0.850. Both dimensions have negative relations and sub-dimensions of education for financial inclusion. A beta value of 0.038, a *t* value of 0.567, and a P value of 0.565 > 0.05 do not support the acceptance of the hypothesis. Hence, customer education hurts managers' perception towards financial inclusion.

Consequently, the financial awareness factor does not significantly affect managers' perception towards financial inclusion. The result shows in Table 5 that awareness has a positive effect on manager perception towards financial inclusion by 21.1 per cent (B=0.211). However, the *t* statistic is not significant (t=1.242), and the P value is greater than 0.05 (P=0.214). The result did not support hypothesis H₄.

The fifth hypothesis explained the link between income and manager perception. Considering the income, the results show that income has a positive link with manager perception by 43.4 per cent (B=0.434), the *t* statistic is positive significant (t=2.391), and the P value is less than 0.05 (P=0.017). Thus, hypothesis H₅ is accepted.

The next hypothesis (H₆): customer's occupation for opening an account and access to credit has a positive relationship and are sub-dimensions of occupation. As the outer loading of both the dimensions, occupation for an opening account (0.980) and occupation for access to credit (0.983) are high, the hypothesis is accepted, emphasizing that occupation has a positive link with manager perception by 54.2 per cent (B=0.542), the *t* statistic is positive significant (t=2.031), and the P value is 0.042 < 0.05.

Further, the results shown in Table 5 explained that the relationship between Residence and manager perception has a negative significant relationship supporting hypothesis H₇ based on the significant negative path coefficients (B=0.016, t=0.245, P=0.806).

4.3. Path coefficient – Bootstrap confidence interval for structural path coefficient

Table 6 shows that H₂, H₄, and H₇ are path coefficients with a negative effect at a 2.50 per cent level, and H₂, H₃, H₄, and H₆ are rejected which means that there is no relationship between bank history, educational level, and financial awareness and residence with customer perception.

Table 6: Path coefficient – Bootstrap confidence interval for structural path coefficient

		Path coefficient	95 per cent CI	T value	P value
H ₁	Age → MPECR	0.446	(-0.072,0.634)	2.364	0.018
H ₂	Bank history → MPECR	-0.082	(-0.170,0.148)	1.059	0.290
H ₃	Education Level → MPECR	-0.038	(-0.147,0.118)	0.576	0.565
H ₄	Financial awareness → MPECR	0.211	(-0.225,0.468)	1.242	0.214
H ₅	Income → MPECR	0.434	(-0.048,0.646)	2.391	0.017
H ₆	Occupation → MPECR	0.542	(-0.497,0.754)	2.031	0.042
H ₇	Residence → MPECR	0.016	(-0.132,0.13)	0.245	0.806

Source: PLS-SEM Result Output, 2022

The measurement model explains the proportion of variability in the data. This value should be high to explain the endogenous latent variable's variance well; therefore, a larger R² value enhances the predictive ability of the structural model.

The per cent value of variance in the dependent variable by the independent variable(s) is 93.9 per cent (R² = 0.939). That means the dependent variable is explained 93.3 per cent by the independent variables in the model. The adjusted R² is 92 per cent. Thus, the study concludes that the model is well-fitted for the analysis.

The present study assesses the influence on manager perception through several predictor variables. According to Hair et al. (2013), It is recommended that the f² effect size shall also be presented. The f² effect size statistic specifies if removing an independent variable from the model can substantially impact the dependent variable (Hair et al., 2013). According to Cohen's (1988), guidelines, f² >= 0.02 represent small, f² >= 0.15 represent medium, and f² >= 0.35 represent large effect sizes out of the seven four variables that have large effect sizes. According to the results age, financial awareness, income, and occupation have large effect sizes and other variables have small and medium effect sizes, indicating the contribution of each to the overall predictive model.

Based on the PLS-SEM measurement and structural models, the impact on managers' perception towards financial inclusion with the help of the customer's details. The result shows that outer loading values, Cronbach's alpha, and composite reliability were higher than the recommended value for establishing indicator reliability and internal consistency reliability. In this setting, Managers' perception towards customers' age, income, and occupation contributes considerably to financial inclusion.

5. Conclusion

This study sought to examine the impact of manager perception on financial inclusion in urban low-income families in the Colombo district. Information was gathered from 42 bank managers of both state and private banks. The study concluded that managers' perception towards age, income, and occupation contributed considerably to financial inclusion in the urban low income population. However, their perception towards education, financial awareness, residence, and bank history do not significantly impact financial inclusion in urban low-income families. The collected information has revealed that more than half of bank managers believed that lending to the urban poor carries high risk, and nearly all associated the poor with high-level loan diversification. Even though the results indicated that all bank managers were willing to accept low-income earners as bank customers, their perception towards the provision of a loan to low-income earners is not satisfactory.

Generally, the term financial inclusion refers to access to finance, it consists of both deposit-taking and loan provision. The loan is an integral part which low-income earners utilize to meet daily requirements and startup capital for their small-scale ventures. Bankers' perception of providing loans is not positive, it is clear that a complete financial inclusion is not happening. This, on the other hand, supports to establishment of informal finances in the community, which traps them in forever indebtedness.

Therefore, the study suggests that authorities take necessary steps to introduce easy loan schemes for the urban poor and a follow-up mechanism should be established to ensure the effective utilization of loans. Besides, financial awareness programmes should be carried out to make them aware of possible, and affordable financial products and services. On the other hand, policies should be formulated for institutional reforms that can facilitate more people-oriented services with limited restrictions. Such initiatives may help change the perceptions of the general public as well as institutional governing bodies.

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