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ORIGINAL PAPER

"I Don't Like All Those Fees" Pragmatism About Financial Services Among Low-Income Parents

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Abstract
Basic financial services facilitate people's ability to manage their finances, save, and receive payments from employers or the government. Drawing on survey data as well as qualitative interviews with 80 mothers with limited incomes, we find that parents take a pragmatic view and use a wide range of financial services to meet their needs including fintech, prepaid cards, and mobile phone-based solutions, as well as traditional banks. Mistrust in institutions is an important factor in shaping the services mothers avoid. Structural factors, like employers' payment methods, also play a role in financial service use. These low-income parents of young children are actively using a range of financial services, much broader than those provided by traditional banks. Many mothers engaged in complex financial management practices to receive income and pay their bills. This opens room for potentially costly errors and is, at least, taxing their cognitive bandwidth. Researchers must attend to the diverse set of financial services with which parents engage and investigate how this affects families' financial wellbeing and inclusion.

Keywords Financial inclusion · Qualitative interviews · Financial services · Poverty

Introduction

People around the world rely on private financial services providers to conduct basic economic transactions. Traditional notions of such services are centuries old and largely rely on depository-based banks and credit unions that offer checking and savings accounts, with the option to apply for loans. In recent decades, the financial services landscape has shifted dramatically. It now includes alternative non-banking financial services providers and greater use of technology to manage transactions and accounts, also called fintech (financial technology). This context naturally generates questions in research and policy about how well newer innovations in the private financial services market effectively serve economically vulnerable families. Such families may not have equitable access to and ability to afford quality financial services. A group of particular concern is parents with young children, as the early years of children's lives are a period of intense development with long-lasting effects (Campbell et al., 2014; Duncan et al., 2010). A lack of financial services to manage transactions, such as bill payments, could create hardships for families, especially if they are struggling to provide necessities for their children. Further, navigating financial services could also tax cognitive bandwidth, as consumers try to make ends meet within the possibilities allowed by accessible financial products (Mullainathan & Shafir, 2013).

These are issues of financial inclusion that also shape families' day-to-day management of their finances. Access to financial services is an important way to deposit earnings, smooth consumption, and generate savings (Friedline & Elliott, 2013). However, many low-income people lack access to basic financial services, since financial services providers tend to focus on higher-income consumers (Beck et al., 2008; Claessens, 2006).

Not having access to financial services can have negative effects on households (Brown et al., 2019; Célerier & Matray, 2019), including reduced savings and access to credit, as well as greater use of higher-cost financial services. A lack of access to basic banking and financial services can become a barrier to economic mobility and compound

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people's financial problems (Bertrand et al., 2004). Using alternatives such as cash checking and short-term, non-bank loans typically means higher transaction costs that reduce what people have available for basic consumption. The absence of a bank account may prevent people from building a positive credit history through the use of loans and being able to use payment services to keep up with bill payments (Blank & Barr, 2009).

Race, ethnicity, level of education, family income, and marital and housing status are important predictors of being banked (Hogarth et al., 2005; Rhine & Greene, 2013). Women and single-female-headed households with children are more likely to have lower levels of financial services access (Lim et al., 2010; Rao & Malapit, 2015). People may not be banked for several reasons, including the fees and costs as well as a lack of trust in financial services firms (Friedline et al., 2019). Another barrier is that people who have had past problems using bank accounts may be prohibited from opening a new account until prior negative balances are paid off (Birkenmaier & Fu, 2018). Some have had negative experiences or made mistakes with how they used financial services in the past, which may result in a preference to avoid formal financial services altogether (Lahav et al., 2018). The development of technologies for performing financial services (i.e., fintech) has the potential to change how consumers access financial services, including services from non-banking firms (Gross et al., 2012). However, whether and how economically vulnerable families will adopt technology-based solutions is not well understood.

This study focuses on financial product use and perceptions among low-income parents with young children. We begin with tabulations of the 2019 FDIC Survey of Household Use of Banking and Financial Services. The survey contains data on households' banking status and financial services use. We focus on a sub-sample of low-income parents with an annual household income of less than $30,000. After describing a profile of financial services use in these data, we turn to an analysis of interview transcripts collected as part of an ongoing study called Baby's First Years. In the study, participating mothers received monthly unconditional cash gifts for the first several years of their focal child's life, with the sample divided into those receiving large ($333/month) and small ($20/month) gifts. Mothers all had babies around 12-months-old at the time of the interview, just over a third had a coresidential partner, and the majority reported their race/ethnicity as Black. Within this context, we study mothers' attitudes and perceptions of financial services, including an examination of whether receiving the large versus small monthly cash gift is related to differential engagement with various financial services among mothers. This contributes to the ongoing discussion about the role of the financial ecosystem, and fintech in particular, in shaping racial equity and inclusion in the financial sector and, by extension, society writ large (Choi & Rademacher, 2021).

Background

Not all people in poverty are unbanked, but poverty and financial exclusion are often linked. Few studies have randomly assigned access to bank accounts or payment systems, at least among adults in the United States, so our understanding of the causal impact of banking status is limited. Many studies examine the correlates of being unbanked, including income, race, education, and neighborhood location (Rhine & Greene, 2013). There may be rational reasons people do not use traditional depository financial services like checking or savings accounts; a lack of certain kinds of financial services may not have a direct causal link to worse financial outcomes for families. In fact, Birkenmaier and Fu (2018) highlight this point, showing that low-income consumers use a range of financial services, including traditional bank or credit union accounts, as well as alternative financial services (AFS), which include high-cost services like payday loans and check-cashing services. In addition to these individual-level factors, we also know that systemic inequities and discrimination are built into today's financial ecology as well as the resources people bring to interacting with it (Sanchez-Moyano & Shrimali, 2021). Therefore, our examination of individual experiences must occur with an awareness of this broader context.

For low-income parents, access to financial services may have more weight than for similar people who are not caring for a young child. Services that allow parents to save, transfer funds, and smooth consumption may be especially important when trying to provide stable housing and food for children (Friedline & Rauktis, 2014; LeBaron & Kelley, 2021; Sano et al., 2021). For example, in one of the few studies using random assignment to financial services, Chiapa et al. (2016) found that access to banking expanded parents' expectations for schooling. As this study was situated in Nepal, the generalizability of these findings to the U.S. context is unclear. Fitzpatrick (2015) found that policies that boosted low-income parents' bank account ownership through welfare programs were associated with increased family economic well-being in the United Kingdom. These findings are, at least, suggestive that the financial services with which parents engage matters to their families' financial situation.

In addition, the consequences of falling behind on bills and not making ends meet are higher when parents are also providing for their children (Livermore et al., 2011). Eisenberg-Guyot et al. (2018) found an association between using AFS and worse health outcomes, for example. Rao and Malapit, (2015) found more acute financial precarity among younger, low-income, female-headed households. They attribute this, in part, to women being more time-constrained and viewing banking services less favorably than men. Similar studies of young adults show bank account usage and children's health and well-being are positively correlated (West & Friedline, 2016). A lack of financial inclusion could be detrimental for parents, and in turn, disrupt children's development.

Even if low-income parents desire better financial services, their access to affordable banking may be limited. Birkenmaier et al. (2021a, 2021b) examined the perspective of low-income consumers in one community on the form of basic banking services available to them. They found the information that banks provided about services and costs or fees widely varied, even among firms adhering to voluntary basic banking standards. This study highlights the financial capability model of consumer financial decision-making (for example, see, Despard et al., 2020). This model combines individual-level knowledge and experiences, with firm and market-level factors, such that even a fully capable consumer may not be able to act on their financial goals because they lack access to financial services.

Fintech and new innovations could substitute for traditional banking services, especially for those who are not well-served by the traditional sector. Jagtiani and Lemieux (2018) examined areas (ZIP codes) where bank branches closed down, leaving less access to traditional financial services. The authors found that non-regulated peer-to-peer lending increased more in these places than in comparable locations where bank branches remained open. This shows the potential substitution away from traditional banks towards non-traditional services; consumers in these markets find alternative financial services that meet their needs. This raises important regulator concerns however, if transactions are increasingly occurring with little or no oversight.

There are few studies of financial inclusion in the U.S. context that use qualitative interviews, especially ones focused on low-income parents. Carton et al. (2022) provided a broad overview of consumer financial well-being and financial services use in Ireland, arguing that qualitative methods expand the research on consumer financial issues and can help lead to the design of better financial products and services. Hayashi (2016), a researcher at the Federal Reserve of Kansas City, conducted interviews with consumers that focused on banking services and payment systems, but not broader financial services; this also did not include a specific focus on the issues low-income parents specifically identify. Birkenmaier et al. (2021a, 2021b) interviewed banking staff, but not consumers themselves. Mielitz et al. (2019) interviewed individuals who had been recently released from incarceration and found that they encountered barriers to using traditional banking products. The closest study to our research is the work of de la Cuesta-González et al. (2021), based in Spain. The authors conclude that families face three main barriers to banking: use difficulties, access difficulties, and perception difficulties. The context of this study was low-income people generally and traditional depository accounts offered by banks, without a focus on parents or the role of AFS and fintech. The present study, therefore, expands our understanding of the financial service experiences and preferences of parents with lower incomes. Further, because most of the parents in the study identify as members of minoritized groups, the study contributes to our understanding of issues of racial equity and inclusion in the financial sector.

The prior literature suggests that lower-income parents likely have demand for financial services, and the ability to take use products and services to further their financial goals. However, some lower-income parents may not use traditional financial services, due to both pecuniary and non-pecuniary costs. While there are range of models discussed in the literature, our study draws from two streams of theory. The first is related to basic consumer theory in microeconomics—that consumers derive utility from financial services up to the point where the marginal costs equal the marginal benefits. New, non-traditional financial services potentially provide lower expected costs, including reduced uncertainty, and equal or better quality of services. Lowering administrative costs and burdens is another way technology and non-bank products are able to attract low-income parents with tight budgets and limited time for household production activities (Allen et al., 2016; Hogarth et al., 2005). Fintech and related non-traditional banking services may be attractive among low-income parents who value a more convenient and predictable way to obtain services. A secondary theoretical model that informs this work is related to product adoption and uptake, at least from the product adopter viewpoint (Utami et al., 2021). The take-up of new products in financial services is driven by knowledge about new services, experiences with services, including experiences of peers or co-workers, as well as the market channels people use to learn about new services. Low-income parents who have positive experiences with providers of fintech and non-traditional financial services may try to seek out these services instead of traditional banking services.

Low-Income Parents and Financial Service: Data from the US

To contextualize our qualitative findings, we first present national descriptive information about the use of financial services among low-income parents using public data from the Federal Deposit Insurance Corporation (FDIC) on banking services in the US. The 2019 FDIC Survey of Household Use of Banking and Financial Services included 1493 parents with annual incomes under \$30,000. Of these, 339

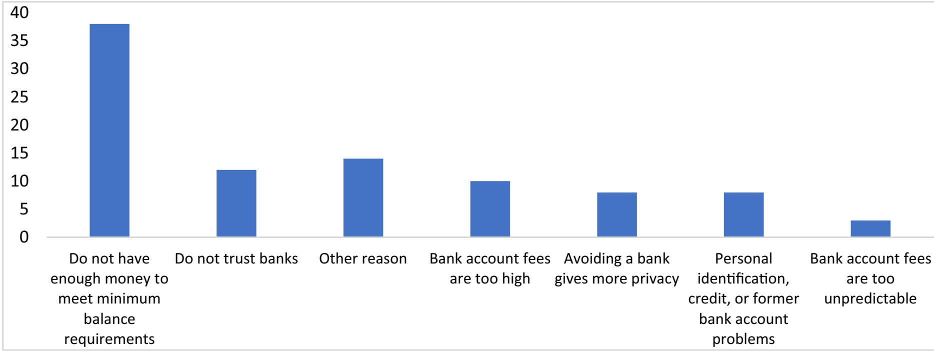

Fig. 1 Unbanked low-income parents: main reason for not having a bank account source 2019 fdic survey of household use of banking and financial services. N = 339. Using survey weights. conditional on household reporting not being banked. The figure shows that more than one-third of respondents select not having enough to meet minimum balance requirements. Trust, fees, privacy, and identification issues each account for about 1 in 10 responses

Table 1 Financial services use in past 12 months among low-income parents by banking status. *Source* 2019 FDIC Survey of Household Use of Banking and Financial Services

	Overall %	If banked %	If unbanked %
Had visa, mastercard, American express, or discover credit card	36	46	7*
Used prepaid card	20	15	36*
Used nonbank money order	30	25	46*
Used nonbank person-to-person or peer-to-peer (P2P)	21	24	12*
Used nonbank check cashing	16	10	36*
Used remittance through nonbank	12	13	10
Used nonbank bill payment service	12	10	17*
Used multiple nonbank financial services	62	58	75*

N = 1493 parents with incomes < $30,000. Using household weights

*Differences by banking status are statistically significant at the 1% level based on two-tail test

reported not owning a bank account, which is about a 25% unbanked rate among low-income parents. We focus our survey data analysis on this highly relevant population.[1]

In the survey, respondents cite multiple reasons for being unbanked, as displayed in Fig. 1. The most common reason reported is because they have insufficient funds to maintain the minimum balance requirements. Other reasons include a need for privacy, mistrust in banks, and issues with bank account fees, including the perception that fees were too unpredictable. Nearly half of those who were unbanked in 2019 reported that they previously had an account; this indicates that it is not simply that individuals do not understand how to access traditional banking services. Only four in 10 unbanked households who were previously banked indicated that they would be interested in opening a bank account in the future; this suggests that preferences, rather than access issues alone, are at play in financial service choices.

Further, low-income parents reported using a wide range of financial services, regardless of banking status. Table 1 shows most low-income parents do not have a credit card, although having a card is more common among banked households. Access to a credit card provides people with a way to smooth consumption as they spread out expenses over multiple payments. While prepaid (reloadable, general purpose) cards are useful for managing electronic payments, they do not offer users the ability to borrow or smooth consumption. The FDIC data show approximately one in five low-income parents used a prepaid card in the past 12 months. Among those with prepaid cards, about one-third received their card from a government agency for public assistance disbursements and one-fifth obtained the card from an employer to receive salary or wages. This highlights the potential importance of non-financial institutions

[1] The FDIC data are downloadable at https://www.fdic.gov/analysis/household-survey. All data are analyzed using household weights restricted to the subsample of 1493 parents reporting annual incomes under $30,000. Differences between means are estimated using jackknife standard errors and two-tail t tests as appropriate.

in shaping the financial service products with which lower-income parents engage.

Overall, one in five low-income parents in the FDIC data reported using nonbank person-to-person (P2P) financial services such as Venmo, PayPal, and Cash App. Relative to unbanked households, banked households were about two times more likely to use nonbank P2P services. This utilization rate was nearly the opposite of prepaid cards, which were more common among the unbanked. This is likely because reloadable prepaid cards do not necessarily require a bank account, unlike most P2P platforms where a bank account may be required to access all platform functions.

More than one-third of unbanked low-income parents reported using check cashing services in the past 12 months—over three times the rate among banked parents in the sample. About 12% of low-income parents in the data used a nonbank bill payment service such as Western Union or MoneyGram to pay bills in the past 12 months. A similar proportion used remittance services. Over half of banked households and three-quarters of unbanked households reported using multiple nonbank financial services. These data show that low-income parents—both banked and unbanked—used a wide range of financial services, including many non-traditional, non-bank providers. This emphasizes the complex financial ecology with which parents are interacting while managing their families' finances.

We next turn to interview data to better understand experiences with and perceptions of financial services among lower-income mothers who are parenting young children.

Interview Sample and Methods

The current study draws on data from Baby's First Years: Mother's Voices (BFY:MV), the qualitative companion to the Baby's First Years (BFY) randomized controlled trial that is the first to investigate the impact of monthly cash gifts on child development among mothers who were below the federal poverty line (For example, see, Noble et al., 2021).

One thousand low-income mothers across the four metropolitan areas of New York City, the Twin Cities, Omaha, and New Orleans consented to participate in BFY. They were randomly assigned to receive via debit card either a large cash gift of $333 or a small cash gift of $20, monthly. The debit card is a Mastercard that can be used for in-store purchases, online purchases, ATM withdrawals, and cash advances via banks. The fees are limited to those accompanying ATM withdrawals which vary by location and for inactivity for 12 months or longer. Mothers are not charged a fee with purchases, withdrawals through a bank teller, customer service, or card replacement. Only the monthly BFY gifts are disbursed via the debit card; the cards cannot be reloaded with other money. Mothers received the first monthly cash gift while in the hospital after giving birth to the focal child and continue to receive the cash gift for at least the first 6 years of their child's life.

BFY: MV is designed to allow us to gain an understanding of mothers' experiences with BFY and other aspects of their lives, as well as the mechanisms behind the cash gift intervention. This qualitative sub-study engaged 80 mothers, selected through stratified random sampling from among all the BFY mothers living in the Twin Cities and New Orleans. This ensured an adequate proportion of both first-time mothers and those who had higher-order births and an equal number of mothers from the high- and low-gift groups in the qualitative sample. Mothers participated in ongoing semi-structured interviews about once a year. Thirty mothers were from the Twin Cities, while 50 were from New Orleans, which reflects the uneven distribution of the larger BFY sample. Prior to the safer-at-home orders responding to the COVID-19 pandemic, Wave 1 interviews were held in person. Starting in March 2020, the remaining Wave 1 interviews were completed by phone, as were all Wave 2 interviews. Interviews were recorded with mothers' permission and were transcribed. We use pseudonyms here to protect mothers' identities.

Table 2 describes the demographic characteristics of the BFY:MV mothers. At the time of the first interview, when the study's focal children were about 1 year old, mothers were between 19 and 42 years of age with a median age of 27. Our sample was comprised of mostly women of color, with 66% identifying as Black. Over half (56%) of mothers had a romantic partner, with 40% of mothers co-residing with their partner. Household size for these mothers ranged from two to 12, with a median of four full-time residents. Mothers had between one and six children, with a median of two children. For 29% of mothers, the focal child was their first. The focal children were 14 months old, on average, at the first interview. Thirty-eight percent of mothers reported being formally employed, and most mothers reported receiving food assistance either through SNAP or WIC. As Table 2 illustrates, the BFY: MV mothers were more likely to be from minoritized groups and less likely to be formally employed than the FDIC sample, likely reflecting the geographic regions of the BFY: MV study and that all are mothers of babies (and consequently may not yet have returned to the workforce).

The current study uses data from the first two waves of interviews, which occurred, on average, 11 months apart. Ninety percent of mothers in the study completed both the Wave 1 and Wave 2 interviews. Across the two interviews, we asked mothers about myriad aspects of their lives to contextualize their experiences with and allocations of the BFY money. We asked about topics such as their own childhood, motherhood and family life, their participation in BFY, their employment history, finances, and social and emotional well-being. Specific to financial management, our

Table 2 Demographic characteristics: BFY:MV interview sample and FDIC survey. *Sources* (1) BFY: MV Mothers at Wave 1 N = 80

	(1) BFY %	(2) FDIC %
Site		
New Orleans	63	< 1
Twin cities	38	< 1
Race and ethnicity		
Asian	4	3
Black	66	27
Hispanic	9	34
Native	1	1
White	10	34
Multiple	8	1
Other	3	–
Children		
Focal child is mother's first child	29	–
Partner status		
Co-resides with partner	40	34
Employment status		
Formally employed	38	56
Not formally employed	61	43
Program and benefit use		
SNAP	74	–
WIC	64	–
TANF	9	–

(2) 2019 FDIC Survey of Household Use of Banking and Financial Services N = 1493 parents with incomes < $30,000. Using survey weights. "Married couple" proxies "co-resident partner" in FDIC

conversations with mothers encompassed a general account of monthly income sources and expenses, decision-making related to expenditures, banking experiences and financial services, taxes, and strategies to make ends meet.

In our descriptive and thematic analyses, we used both deductive and inductive approaches. For each interview, we used a predetermined set of descriptive codes that covered the range of topics within the interview, including whether mothers were formally employed, whether they were banked, whether they used alternative financial services, and if they had access to a credit or debit card in addition to the BFY card. For mothers who were banked, we then determined, if possible, what types of institutions they used.[2] Lastly, we developed a second set of descriptive codes from the interviews to capture the use of direct deposit, prepaid cards, and fintech.

For our thematic analysis, we used the qualitative data analysis software, *Dedoose 9.0.17*. First, we coded each transcript using a set of deductive codes that encompassed the myriad topics of the interviews, including codes like Financial Services, Income Sources, Expenses, Assets, Debts, Approaches to Making Ends Meet, and Asset Building Plans or Aspirations. For the current study, we then focused on the excerpts coded Financial Services, using an inductive approach to identify themes, discussed below. Coding reliability was ensured through regular checks, in which two coders independently coded an interview and then compared and reconciled their codes; this process ensured that all coders were conceptualizing and using codes similarly.

Results

What Financial Services and Products do Mothers Use?

Almost three-fourths of mothers (73%) reported being banked at either or both waves. However, 30% of all mothers reported only being banked at one of the two waves of interviews, pointing to the unstable nature of mothers' banking status over time. These changes occurred in both directions, with some mothers becoming banked and others no longer being banked during the 1 year period between interview waves.

The most common reason discussed among BFY mothers for being unbanked was being charged overdraft fees, which they felt came as a surprise as these fees were charged ex-post facto. It seems that this lack of transparency drives some of their mistrust in traditional banks. In response to these experiences, some switched banks or temporarily closed accounts, but many do not intend to reopen another account.

BFY mothers looked like the overall subpopulation along the dimensions we can assess in the FDIC survey. While 21% of the FDIC low-income parent sample used a non-banked P2P service, 31% of BFY mothers discussed using some sort of fintech service, including Chime, Cash App, PayPal, or others. Just less than a third—29%—of both BFY mothers and FDIC low-income parents used prepaid cards.

Among the mothers who mentioned their banking institution by name, traditional banks were most common. However, comparing the first and second waves of interviews, we see a substantive increase in the proportion of mothers reporting using an online bank. Few mothers reported using a credit union. Nearly half of the mothers (46%) use direct deposit. The most common use for direct deposit was to receive paychecks, while fewer mothers received benefits (e.g., Supplemental Security Income or Unemployment Insurance) via direct deposit.

[2] This was not a topic about which we asked, and therefore we relied on mothers' unprompted mentions of this information as part of their larger responses to our questions about their experiences with banks or credit unions.

Table 3 Financial services use. *Sources* (1) BFY: MV Mothers at Wave 1. N = 80

	n	%
Banking services		
Banked at one wave	24	30
Banked at both waves	34	43
Banked at wave 1	44	55
Institutions used at wave 1 if banked		
Traditional Bank	23	52
Credit Union	4	9
Online Bank	3	7
Not stated	15	34
Banked at wave 2	48	68
Institutions used at wave 2 if banked		
Traditional Bank	20	42
Credit Union	2	4
Online Bank	12	25
Not stated	15	31
Direct deposit at either wave	37	46
Types of deposits if direct deposit use reported		
Paycheck	30	83
Benefits	8	22
Other financial services		
Used a prepaid card at either wave	23	29
Used fintech at either wave	25	31

Our response rate for Wave 2 interviews was 90%. Of the mothers who did not have a Wave 2 interview, one-third were banked, only one used direct deposit, none used fintech services or products, and just under half used prepaid cards at Wave 1. Some items have smaller responses at Wave 2; all percentages are based on the share of the total

It was common for mothers to report using fintech services and products and prepaid cards, even though we did not ask about them explicitly. Over one-fourth of mothers (31%) discussed their use of fintech services; because these were unprompted mentions, we expect that this substantially underestimates the use of these services among the BFY: MV mothers. Of those who used fintech services, mothers most often described using Chime, Cash App, and PayPal. Twenty-nine percent of mothers discussed using prepaid cards (e.g., RushCard or Netspend). As part of BFY, mothers received a debit card to which the monthly cash gifts were disbursed; most also reported having access to another credit or debit card at one or both interview waves (Table 3).

What Influences Mothers' Financial Service and Product Choices?

An array of factors plays a role in shaping the financial services and products that mothers use. These include: (a) mothers' perceptions of and experiences with banks; (b) mothers' perceptions of and experiences with fintech services and products; (c) mothers' employers' choices about how to pay employees; and (d) the modalities in which mothers were required to pay bills and those they found most convenient. We additionally consider whether mothers say that BFY's experimental intervention shaped the other financial services and products they chose. Because the use of payday loans was rare in this group, we do not focus on those experiences in these analyses.

Perceptions and Experiences with the Traditional Banking Sector

Mothers described their previous negative experiences with banks or credit cards as making them wary about using these services or products again. As a key negative experience with banks, mothers often pointed to being charged overdraft fees. They viewed these overdraft fees in a more negative light than they did the transaction fees that are associated with other financial products. As they expressed, the meaning of bank charges was more like getting kicked while you're down, rather than an up-front, expected fee. The overdraft fees felt more unjust to mothers and affected their willingness to use traditional banking services in the future (since doing so meant working with an institution they didn't trust and brought with it financial risk).

When we first met Marsha, a Black mother of three in the Twin Cities, she explained that she felt she could not trust banks.

> I haven't really been messing with banks because, you know, with banks, I think they charge too many fees and interest and all that. It's like it's always a fee plus something they taking out of your accounts and everything. And I just–I didn't like it, you know?

Likewise, Stephanie, a mother of two in the Twin Cities who identifies as white, Black, and American Indian, told us that she knows well the ins and outs of banks, having previously worked at a national bank branch. However, she still felt ripped off by bank overdraft charges because she saw some of their accounting practices putting her at a disadvantage as a customer.

> I don't like all those fees, and–it's like I used to work for [bank's name] so I know like when something is pending and posted. I know the difference, but they always say, oh, it's pending. But you can see it's clearly posted, and then it's going to fall off. And then it's going to be pending again. So, it's like you have the money in the bank, you see it, you buy something, or you make a transaction. You see the amount that's been taken out of the bank, you know, it's simple mathematics. You know, you see it's been taken out, deducted

> from the balance you have. You know what you have left over. You take care of your things, and then all of a sudden, bam. $15 fee. … I don't like the way that stuff works. I think it's a big scam, to be honest, and I'd rather, if I'm already poor, I'm not going to continue paying $35 fees on top of that. I'll just manage the home money outside the bank, for now. And if I needed to do something, like, I use my PayPal account or I'll get a reusable debit card or a reloadable one.

After ending up with a negative balance, Stephanie closed her account and turned to alternative services and products instead. Stephanie did not see this situation as her fault for not properly managing her funds, but rather as the bank setting up practices that do not work well for those living with tight finances. She said, "I have enough experience but having financial knowledge doesn't equate to having finances. So, it doesn't matter how much financial education and knowledge you have, if you don't have fricking money, then you can't do anything … with the knowledge." Ironically, Stephanie saw the financial knowledge she gained from her experiences with the bank as helping her more to manage her money outside of a bank, where she can use services and products like PayPal or reloadable debit cards that she feels she controls.

While some mothers would switch banks or temporarily withdraw from using traditional bank accounts in response to negative experiences like those Marsha and Stephanie recounted, many others turned to other types of products and services.

Perceptions and Experiences with Fintech Products and Services

In contrast to their discussion of traditional banks, it was uncommon for mothers to recount negative experiences with fintech products and services. Throughout our interviews, as we learned about mothers' financial lives and practices, they described using a wide variety of products, including an array of brands of prepaid or reloadable debit cards and cash transfer apps.[3] While cash transfer apps were most commonly used, some mothers also used fintech applications to manage bills (e.g., Prism) and build credit (e.g., Self). Even though many of the mothers had trouble maintaining consistent cell phone service (as we learned from our interviews and attempts to check in with them over time), many nonetheless relied on an array of apps on their phones as part of their financial management toolkits. When we compared mothers' use of prepaid cards and fintech options by their banking status, we saw that use of these financial services and products was reported by mothers regardless of whether they were banked. For example, 47% of mothers who were unbanked and 27% who were banked at Wave 1 reported using fintech options. Therefore, we see some mothers using these in addition to, not just in lieu of, traditional banking products.

The one type of bank that multiple mothers discussed in neutral or positive ways was Chime, a banking app.[4] Chime's features address the concerns mothers expressed about traditional banks, such as offering no-fee accounts, early access to paychecks, and no-fee overdrafts. Stephanie, introduced above, practically sounds like a Chime commercial:

> I don't have really good experiences with banks and then I transitioned to a Chime account, and it works a lot better because you don't get any unnecessary or unexpected bank fees. … I've been using it for about, I'd say, a good five months. … It's very convenient. It's helpful. You don't expect fees. They give you a $20 overage every month. If you need to, they don't charge you for it. You just repay it when you get your next deposit. It's convenient. So, yes, it's easy to send. If you need to transfer something. If you need to pay a bill. I've never had any issues with that account.

She also noted that Chime offers a credit-building feature, which she was using to improve her credit score. Given the variety of fintech apps that mothers used to manage their financial transactions and, as we discuss below, the limitations they faced in choosing how to pay their bills, these findings raise questions about policy proposals that rely exclusively on the traditional banking sector to help lower-income families achieve financial inclusion.

Role of Employers

The financial products and services mothers used were shaped, in part, by employers' choices for those who were formally employed. For example, some employers offered direct deposit for paychecks while others did not; some employers provided prepaid debit cards on which employees were paid while others paid by paper check. Kiara, a Black mother of three who had recently moved away from New Orleans, banked with Chime and had her paycheck direct deposited to that account. Her employer, Family Dollar, offered access to an app through which she could get pay advances, which was one of the ways she managed to make ends meet on a tight budget. When she ran short of money and needed to make a purchase or cover a bill, she said, she

[3] These included: Chime, Cash App, PayPal, Current, Square, Apple, Venmo, and Earnin.

[4] Chime itself is not a bank; it serves as an intermediary between customers and two traditional banks.

could turn to that app to access needed funds. Not all mothers, however, found that their employers' financial product choices were so helpful.

Sasha, a mother of one in New Orleans who identified as Black and American Indian, worked at a big box store. "They gave us paper checks, so we just had to cash them [in] the store up there, the front of the store. … [T]hey charged like $10.00, if I'm not mistaken. It depends on how much money you have to get out, depending on that." Without a bank account, Sasha was paying her employer to access her own paycheck. Taylor, a Black mother of two in New Orleans, reported that her employer, Walmart, also set up a payment system that could cost her. She said of her paycheck, "It comes on a Walmart card that they give us. … It's like a prepaid card." When we asked her about using this prepaid card, she explained that it can be used "…anywhere. They just charge an extra fee every time you slide it." That is, every time Taylor used the money from her paycheck, she was, in essence, paying for the privilege. She paid because of the modality in which her employer was paying her, which is on their own branded Exceed card. There is an exception, though, she said, since the fee only applies "not at Walmart but like other stores besides Walmart." Walmart provided incentives for employees to make purchases at its stores and websites by covering the fees and providing a discount only in their own store.

For mothers who received paper paychecks, some were able to use a mobile deposit function on banking apps (from traditional banks or Chime) to substitute for direct deposit. This, however, could mean a longer wait to access the money. Simone, a Black mother of one in New Orleans, explained that she did mobile deposit when she could, but often money was too tight to wait for the check to clear. In that case, she would cash her check and then pay a fee at Walgreens to have the money put on a prepaid card that was immediately available to her.

> Whenever I have the patience to wait for the money to be processed into my account [then I do mobile deposit] because when I do it that way sometimes it takes four or five days to clear the check into my account. But, like, whenever I know I need access to the money right away I'll just, you know, cash it and then have them load it onto my card once it's already cashed.

The alternative, she said, would be to avoid the fee by just cashing the check, but "I hate carrying cash. Too much going on nowadays to walk around with a purse full of cash." For her own safety and peace of mind, she paid the fees to work around her lack of access to a directly deposited paycheck. The modes in which employers pay their workers, therefore, played a role in the set of financial decisions, products, and services with which mothers engaged.

Required Modalities and Convenience in Bill Payment

Mothers were also using multiple financial approaches to pay bills. For example, mothers would describe having a bank account but then taking the money out in cash to make bill payments, paying some bills by phone and others online, or choosing to pay by money order rather than online to have a paper receipt showing a payment date. Mothers have reasons for using these different strategies, but it also makes for more complex financial dealings than would be the case for someone who, for example, has the funds and financial services to set up auto-pay for all bills. For mothers without such access, the likelihood of something going wrong is higher and is more likely to increase demands on cognitive bandwidth and time for managing these complex arrangements.

Some mothers emphasized convenience in guiding their choices about how to pay bills. Shannon, a Black mother of two in New Orleans, was a delivery driver for Uber Eats and Walmart and received her pay on a Walmart card. She used it to pay her bills online and over the phone because "I'd rather not go to all the places. It's more convenient to do it on the phone instead of just driving in and paying the bills." Serena, a Black mother of three in New Orleans, also emphasized convenience. She was banked but withdrew money from her account to pay her bills in cash. She used to pay bills over the phone but stopped because "They play too many games over the phone. … Yeah, it's too much scamming and stuff going on for me." The peace of mind she got from paying in person with cash, she said, was "way easier."

After the onset of the pandemic, we heard from some mothers that they had changed how they paid bills to accommodate their desire not to have to come face-to-face with anyone. When we first met her, Nina, a Black mother of four in New Orleans, paid her bills in person. At our second interview, she explained that she now paid everything online "because I don't have to worry about going into those places and deal with lines or – like I said, my anxiety. If I don't have to go, I'm not going." Feeling anxious about the risks of COVID-19 exposure, Nina embraced the convenience of online bill pay.

Other mothers described other reasons that shaped their approach to paying the bills. For example, Gabrielle, a Black mother of two in New Orleans, paid her rent in cash not out of convenience or choice, but because that was the only way her landlord would accept rental payments. At our second interview, Angelina, a Black mother of four from New Orleans, and her partner were relying on his unemployment insurance payments to cover their bills. Since it cost money to make withdrawals from the state-issued card connected to his UI payments, they opted to pay their bills directly from the card to avoid these charges. When we had first met her, Angelina was using a different approach to paying bills; they would load money onto Cash App and then pay bills over the phone. They had started doing this after they had paid the electric bill in person once and:

> [T]hey took our money and say we didn't pay our light bill. So, we say we was never paying at the corner store anymore, and we don't have no ride to go all the way to the energy place. So that's how we got to do it.

Like Gabrielle and Angelina, mothers described factors like the requirements or incentives surrounding their financial products and bill payments that shaped or limited their choices in managing their finances. In addition, as we heard from Serena and Angelina, concerns about being scammed or having one's bill payments stolen also played a role in mothers' decisions about how to pay their bills.

For some mothers, these approaches involved several steps to get a bill paid. For example, Victoria, a mother of four in the Twin Cities who identified as Black and American Indian, was issued an "ADP Pay card" by her employer on which she received her paycheck. To pay her bills, then, she explained:

> I usually pull the money off of my debit card, and then for my like electricity bill, I go to like a pay station and I'll…give them the money and then they'll pay the bill. And then for my rent, I pull the money off of my card and file a money order, and then that's how I pay my rent. So, I pretty much pay everything basically with cash except for my phone bill, and my internet, I pay with my card.

Nina, whom we met above, paid her phone and internet bills online. Nina also paid her rent online, for which she was charged a $5 service fee; given that her rent was $173, this fee constituted a 3% monthly addition to her rental costs.

> And even if you bring it to them, it's still the $5 fee… so, I guess they want you to mail it. But I don't even know how you're supposed to mail anything off from banking and … if that lady [in the rental office] see mail in the mailbox she's going to assume, "Oh, that's the mail I already put in there." She don't check and see if it's supposed to be sent out, so I just don't [pay that way].

Between her distrust of the rental office staff and not being sure how to generate a paper check from the DirectExpress card on which she received her son's SSI payments, Nina paid extra on top of her rent each month. She told us that if she wanted to withdraw cash off her card instead, the closest ATM charged $2.40 per withdrawal; she seemed to be nickel-and-dimed no matter her approach.

While some mothers who were banked or had a prepaid card paid all of their bills directly from their account with automatic payments, this approach was the exception, not the rule. Even mothers with bank accounts used multiple ways to pay their bills each month. Krista, a white mother of two in New Orleans, had her paycheck direct deposited into her bank account; she paid all her bills online, except their utility bill which they had to pay by phone. Fatima, a North African mother of one in the Twin Cities, paid the bills after her husband's paycheck was direct deposited into their checking account. She had to use a money order for rent as required by the landlord and paid with a card for some bills and cash for the others. Kendra, a Black mother of four in New Orleans, had a checking account with a federal credit union. She paid the light bill over the phone and then her landlord required payment with a money order, which she said cost two dollars "plus the envelope plus the stamp. So, that's like five dollars just to mail it off." Like Nina, Kendra was paying extra to pay her bills.

Soledad, a Latina mother of three in the Twin Cities, used to have a bank account that they could use to pay bills, but they were charged $10 per month for the account unless they used it ten times a month. To avoid these charges, they closed their account and paid their bills in cash instead. The family bought a money order to pay rent and went to the store to pay the electric bill. Like Soledad, many mothers deployed multiple techniques to pay their various bills, depending on their confidence in avoiding scams or claims of unpaid bills, the costs of payment strategies, and the requirements of those to whom they owed money. As these results show, these low-income mothers—regardless of whether they were banked or unbanked—faced an array of factors outside of their control that limited their financial management choices and cost them money. While the extra dollar here or there that they may have spent to get the bills paid could be seen as trivial, those dollars added up across bills and over the months. This accumulation underlines the fact that it can be costly to have a low income.

Role of BFY Cash Gift

We examined whether the patterns of financial service use varied by whether mothers were receiving the large or small monthly cash gift from BFY. At Wave 2, two-thirds of mothers from both groups were banked. In addition, across gift groups, mothers were similar in their likelihood of using direct deposit, prepaid cards, any type of fintech, and in access to an additional credit or debit card besides the BFY card. Given our relatively small sample size, however, we do not put too much emphasis on these findings, as our ability to detect significant differences is limited and this is not what a qualitative study is typically designed to do.[5]

[5] We also examined whether there were notable trends between the mothers recruited from New Orleans versus the Twin Cities. We are

Nonetheless, according to the mothers' narratives, access to BFY's debit card and the greater funds available to the large-gift group did not appear to substantially shape their decisions and options in terms of the financial products and services they used. However, overall, we see indications that ecological factors, including safety concerns (both with regard to the pandemic and to theft) and the choices by employers and those to whom mothers pay bills regarding the form of resource transfers, shapes the financial lives and decisions of mothers with limited incomes. This is consistent with the financial capability model discussed in prior work (Sherraden, 2013), where a combination of individual and community level factors contribute to the use of financial products based on the goals of each individual family.

Discussion

The national survey data show that low-income parents have varied and sometimes negative experiences with banking services. Indeed, this study finds that the low-income mothers in this study often had negative views of traditional banks. This led some to choose to be unbanked or to turn to institutions they saw as alternatives, like online banking services (e.g., Chime). Employers influenced some mothers' financial product and service use through their payment practices (e.g., offering direct deposit, paying employees on store prepaid cards). Many mothers paid their various bills using multiple methods; that is, one mother might pay one bill in cash, another online, and a third in person with a debit card.

Overall, we saw many mothers engaged in complex financial management practices to receive income and pay their bills. This opens room for potentially costly errors and is, at least, taxing their cognitive bandwidth. Yet, mothers did not describe a desire for further inclusion in terms of being traditionally banked. While they did see a need for improved credit scores and adequate access to credit (which we explore in a separate study), access to and the choice of a traditional bank account often did not seem to fit as well for their money management practices as some newer fintech options, from their perspective. Further, different financial products and money management practices felt more and less safe to mothers, depending on the pandemic, their neighborhood's safety, and their perceived susceptibility to being ripped off. This study has implications for policy, practice, and product design. First, for policy purposes, regulatory and legislative efforts must be careful in how they think about the meaning of being banked. While some legislative efforts have focused on the importance of ensuring the inclusion of low-income consumers in the traditional banking sector (Birkenmaier & Janssen, 2021), that does not align with the preferences we are seeing among some mothers with lower incomes. Mothers are drawing on a wide range of financial services and products, in part dictated by their context, including what their employers offer, and in part driven by their experiences and preferences for more flexible and transparent financial interactions and services. Consumer protection efforts must be carried out with an awareness of and respect for the preferences and realities of the financial lives of families with lower incomes. Regulations cannot be 'one size fits all' in the face of rapid innovations in the market. Advocates who push for attention to issues of financial inclusion on the policy front must consider these factors as well. Without more protections, inclusion in the traditional banking sector can feel too risky to some.

In 2022, federal banking regulators have debated changes to the Community Reinvestment Act (CRA) and how regulated banks and credit unions should provide services to underserved markets. Our study highlights the value that consumers place on the flexibilities of basic banking products developed by non-bank entities—foundational services that channel people into credit and mortgages. There may be models from firms that are not closely regulated by state and federal agencies that could be adopted more widely by financial institutions. Expanding fintech and other innovations may help expand financial inclusion to low- and moderate-income families (Agarwal et al., 2020; Allen et al., 2020; Jagtiani et al., 2021).

Second, financial coaches and counselors should act with similar awareness and avoid assumptions about what is best for the clients with whom they work. In addition, understanding the roles that other individuals and organizations play in shaping the financial products and services that clients use is key. An individualistic approach that assumes choice and flexibility in pay receipt or bill payment methods may miss the broader set of circumstances at play in families' financial management practices. Taking the financial capability model approach, people consume financial services based on a combination of individual, social and system factors (Sherraden, 2013). The non-traditional services the low-income parents in this study are using illustrate their demand for flexible and convenient services with transparent and predictable costs. If these services are easily available through employers or the firms low-income people interact with, people are more likely to use them regularly.

Finally, the mothers' narratives in this study show that fintech products are taking the lead in listening and designing in response to the needs and preferences of their prospective customers. To remain relevant and responsive to consumers with lower incomes, traditional banks and those regulating

Footnote 5 (continued)

similarly limited by our sample size in drawing conclusions here, but we do not see indications of large differences in trends between sites.

them should be similarly attentive to issues of trust and financial risk that are tied up in basic banking products for many, such as the mothers interviewed here.

As a qualitative study, the intention of this research is not to produce generalizable conclusions, but rather to explore the nuances in experiences and perceptions that are often hidden in surveys. Therefore, it remains an open question whether mothers with low incomes living in other geographic areas or those who would not have chosen to take part in BFY would report similar views of financial services and products. Furthermore, while the study does have the benefit of drawing on two waves of data, we cannot discern how mothers' ideas about and engagement with the financial sector evolve over a longer period. Finally, because this exploration of mothers' financial service experiences is based, in part, on inductive analyses of themes that mothers raised spontaneously (as opposed to in response to specific questions), we expect that we are undercounting mothers' use of fintech products.[6]

Conclusion

Based on this study, low-income mothers take a pragmatic view of financial services. The rise of the innovative fintech services can offer useful solutions, but these consumers are actively seeking out services that meet their needs across a variety of platforms, including traditional banks. The challenges parents face are less about being banked or unbanked in a transitory way, but rather more about finding service providers that they can trust with fees or costs that are transparent. This is consistent with prior studies of product adoption, optimal product choices given relative costs and benefits, and models of financial capability. The low-income mothers in this study are making rational and well-reasoned choices in the context of their financial environment. These findings underscore the importance of understanding changes in the financial services market for policy, research, and product development.

This study contributes to the research on financial inclusion by combining survey data and interviews with mothers of young children who are making their way through the financial services marketplace. This type of work may be valuable for researchers and policymakers as they try to better understand the rapidly evolving financial services industry. The interviews also revealed several topics that deserve more focused attention in future research, including how employers' choices around how to issue paychecks shapes finances and financial decision making for employees, what the drivers are of mistrust in financial institutions, individuals' exposure to and efforts to protect against fraud and scams, and how resource forms (e.g., cash versus check versus debit versus credit card) affect individuals' perceptions of safety concerns (e.g., theft, pandemic exposure).

Financial inclusion is expanding across the globe as more transactions move to electronic systems. The voices of the women in this study, as well as the respondents to the most recent FDIC survey, point to the fact that fees remain a primary deterrent in using traditional banking services. Researchers, regulators, and policymakers should be vigilant that innovations in the private financial services market effectively serve economically vulnerable families by charging non-exploitative prices for basic transactions, savings, and credit services.

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Declarations

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Informed Consent Overview data on banking derived from public domain resources. Informed consent was obtained from allindividual participants included in the interview study. The authors affirm that human research participants providedinformed consent for publication. Interview data is not available publically due to ethical concerns.

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[6] We asked specifically about bank and payday loan use; after the present study, for Wave 3 of the interviews, we have added questions to ask about mothers' experiences more specifically with fintech and employer-provided financial products.

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