



Regional polarisation and unequal development in CEE: Challenges for innovative place-based policies

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Cluj-Napoca, Romania

Geographical characteristics of the Hungarian Cooperative Banking Sector - rural exclusion?

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- I. About the financial exclusion
- II. Geographic issues of financial exclusion
 - I. Players of Hungarian banking services
- III. Some empirical evidences of cooperative banks'
- IV. Summary



What is financial exclusion?

- Limited physical access to banking services (EC, 2008)
- The globalized banking systems of countries strengthen the process of exclusion of certain social groups (**social exclusion**), or rural peripheries, small settlements, urban districts (**territorial exclusion**) from financial services (Alessandrini–Zazzaro 2009, Dymski 2005, Gál 2005)
- The territorial exclusion can be measured by the statistical data of banking networks, and the social aspect can be examined by some sociological methodology



Financial inclusion/exclusion in Europe

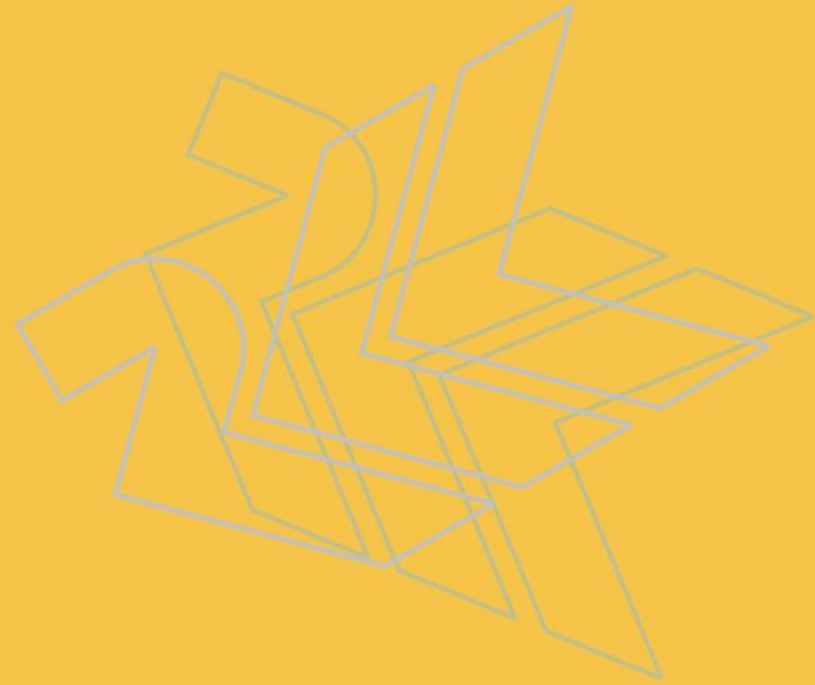


Source: Global Findex



Geographical form of financial exclusion in Hungary - causes

- Causes:
 - Features of service activities
 - Different operation of commercial and cooperative banks





Players of banking services in Hungary

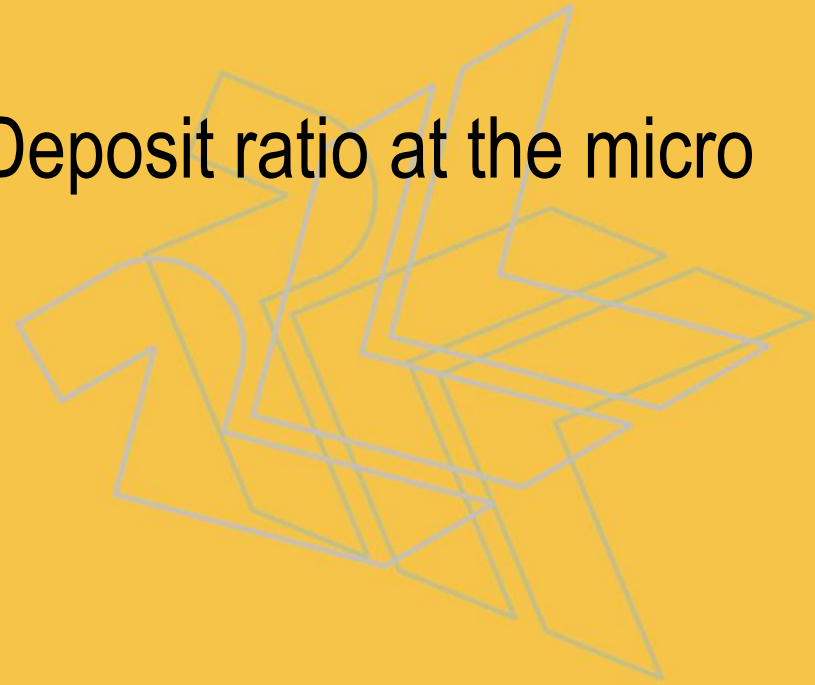
Commercial banks

- Mainly foreign ownership
- Centralized operation with HQs in Budapest
- Decisions (business, lending, etc) in HQ
- Only local branch without independent powers.
- 32 institutions, 1 618 branches

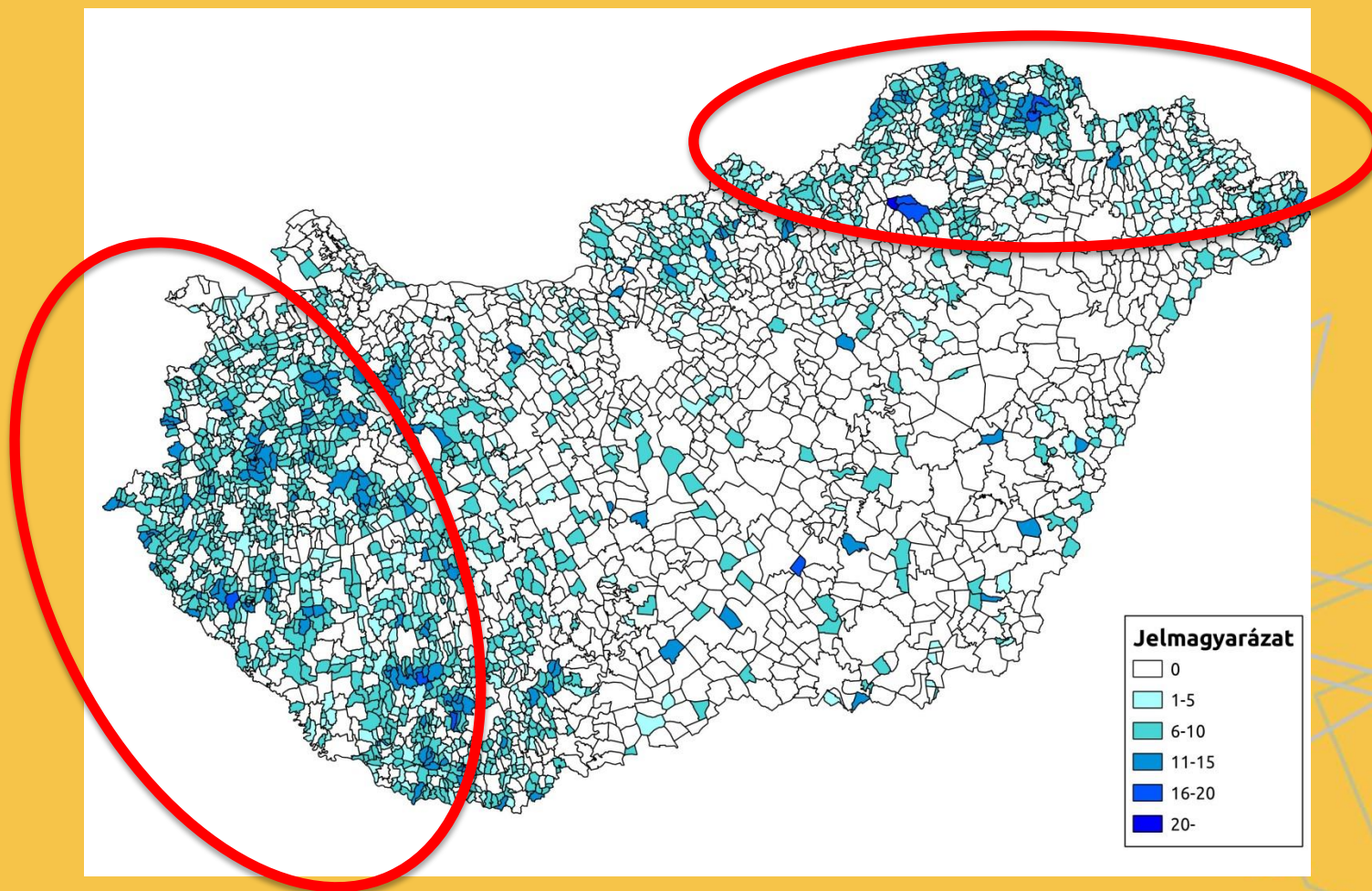
Cooperative savings banks

- Domestic ownership
- Decentralized organisation, HQs in smaller cities
- Local decision is possible
- Locally embedded operation, local knowledge
- 87 institutions, 1 503 branches

- Methodological possibilities
 - Measure of local presence
 - Analysis of the territorial deferences of branch density indicator
 - Examination of Loan-to-Deposit ratio at the micro regional level



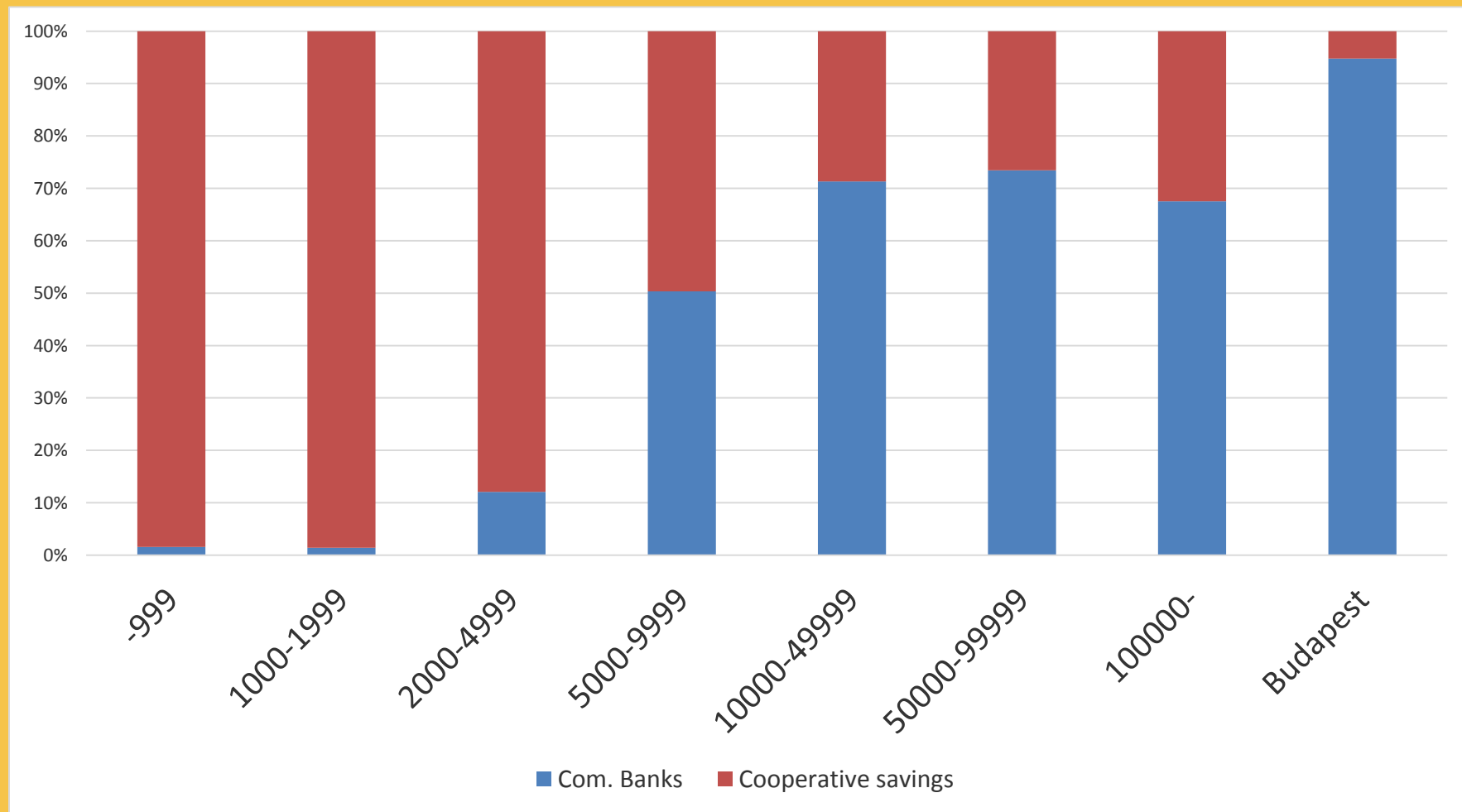
Accessibility of bank branches in Hungary, 2014



Source: Own construction

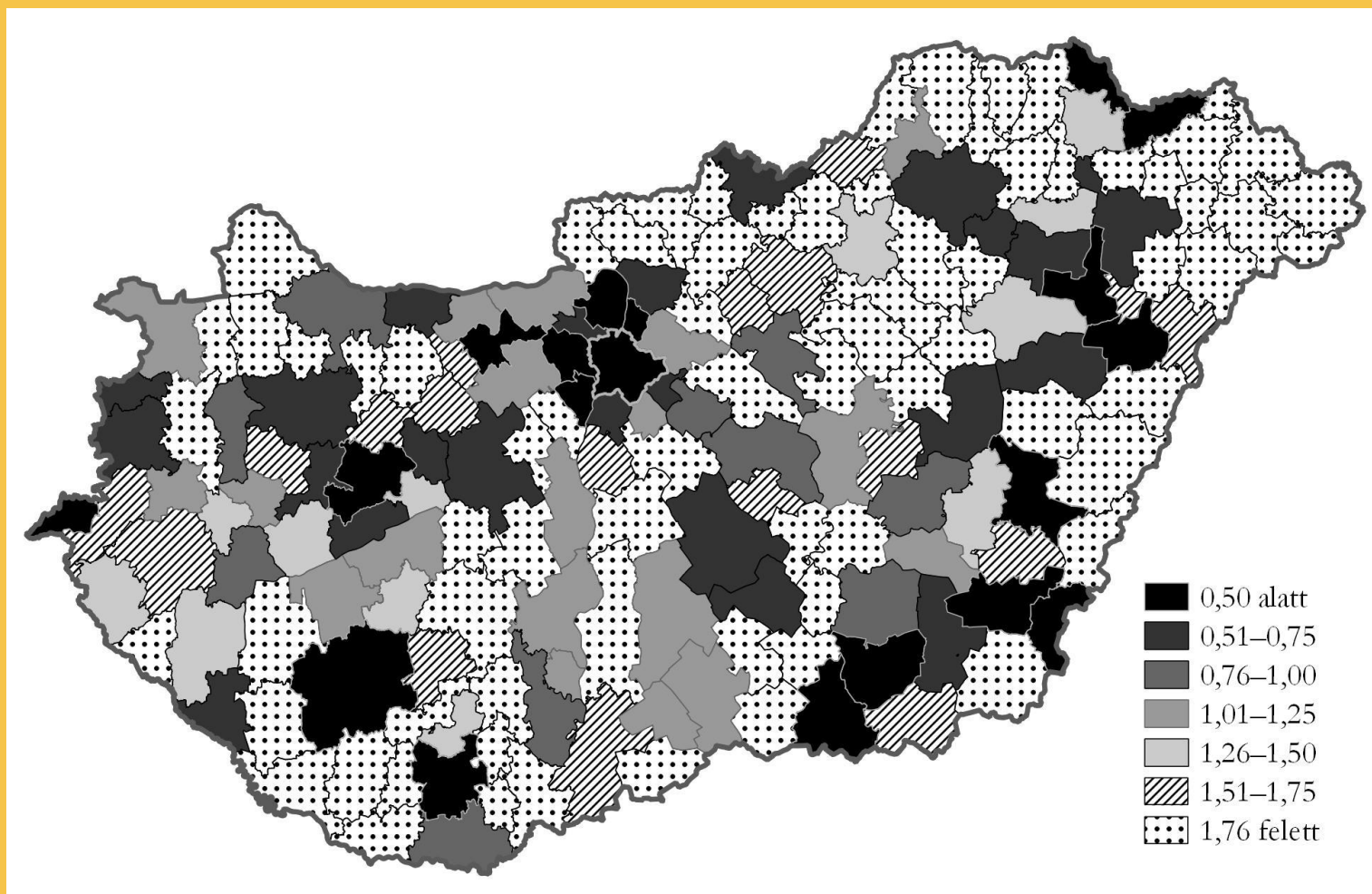


Distribution of branches and size of settlements, 2014



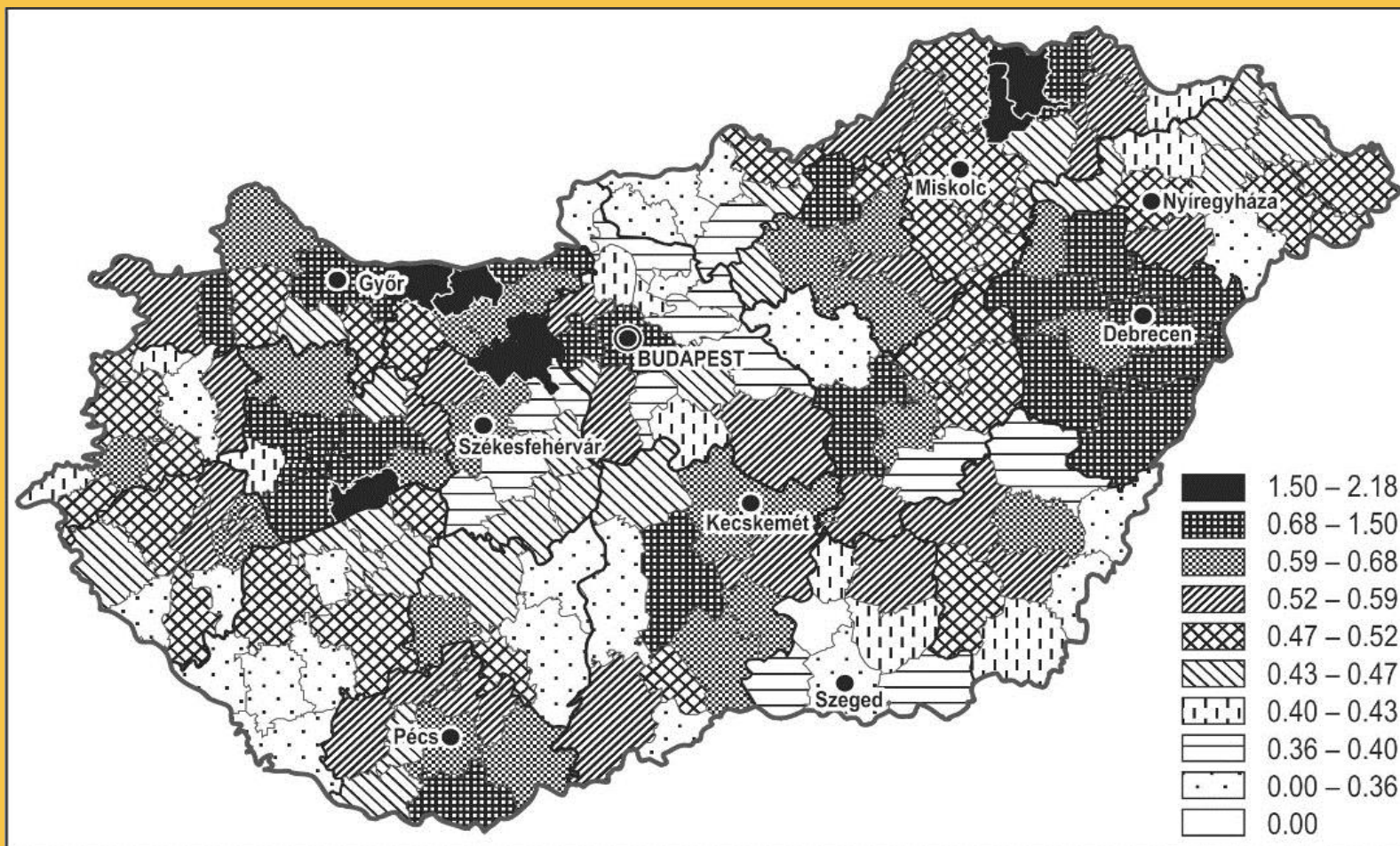
Source: Own construction

Rate of commercial banks' and cooperative banks' branch density at the level of administrative districts, 2015



Source: Kovács, 2017

Estimated loan-to-deposit values of the cooperative sector in the Hungarian micro-regions (2010)



Source: Own calculation based on Golden Book of PSZÁF (2010) and cooperatives' websites



- Geographical financial exclusion is a real problem in a peripheral areas in Hungary
- The main financial institutions are the cooperative savings banks in the non-core areas
- These cooperatives are locally embedded and they use many soft information of their client in their decision making processes
- Strengthening of the integration of savings



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Thank you for your attention!

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