The role of cooperative credit institutions' integration concerning the financial services[1]

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Financial geography proves to be a versatile new branch of geography and of regional science, providing a multiple interpretational horizon as well as a new scholarly attitude. Its application is necessary since the amount and spectrum of loans, investments and savings and also of informational access may vary and differentiate on regional basis. Using it we may as well get a deeper insight into the global as well as the local economy, this way we may focus on the domestic in-country correlations surpassing the global effect-mechanisms generated by the biggest global financial hubs, such as London or New York.

Naturally, we can discover enormous differences between the results of the two segments since the focal point must define the methodology of our analysis. What does it exactly refer to? First of all, we must emphasize the revelation that any event, which might occur and share worldwide impact can exclusively emerge in such global financial hubs where the necessary, significant amount of information is directly available. The analysis of other regions with lesser significance (countries, regions, counties and settlements) may as well be important for us from another perspective, since these places can be interpreted as parts of a bigger entity rather than in themselves. Nevertheless, we should take into consideration the observation of *Boros et al.* [2010] since he considers the differences stemming from regional complexities and geographic extension, as the primary scale of financial geographic surveys. In his book he refers to the very basic set of scales, namely as global, macro-regional, national/nation state level, regional and local one.

The location, distance from economic or political power centers can be considered as crucial factors, too, based upon the standpoint of *Coe et al.* [2007] because ignoring these factors the economic conditions cannot be ─ considerably ─ interpreted. In my opinion, the factors coming from the before-mentioned locations must be taken into account at all times let them be either huge financial hubs or the tiny settlements of Hungary. Their economic power and impact may differ, though these stand closer to the local entities, features and the local standard of living, ─ that I consider of utmost importance ─ thus, I have chosen as my primary objective the analysis of the country's settlements. For this reason, my primary research focus is linked to a specific branch of financial geography, concentrating on the analysis of the country's savings banks' branch network extension. I consider this topic to be significant both from geographic and regional perspectives, since the savings banks are meant to be important, crucial factors for the economy (for the local councils, corporations and residents, too).

According to the categorization of various types of settlements, in towns we can mostly find bank branches while in the villages predominantly the cooperative credit institutions are present. In concordance with the findings of *Mezei* [2006], I believe that the before-mentioned financial institutions tend to choose their branch locations in compliance with their company policies and fundamental values rather than relying on their existing capital trust established with the local settlements and business corporations. Cost efficiency is important factor at both types of financial institutions, although this is supposed to be of greater importance in the case of cooperative credit institutions stemming from their historical background. Furthermore, *Mezei* [2006] also emphasizes the recognition that due to the capital city centric business

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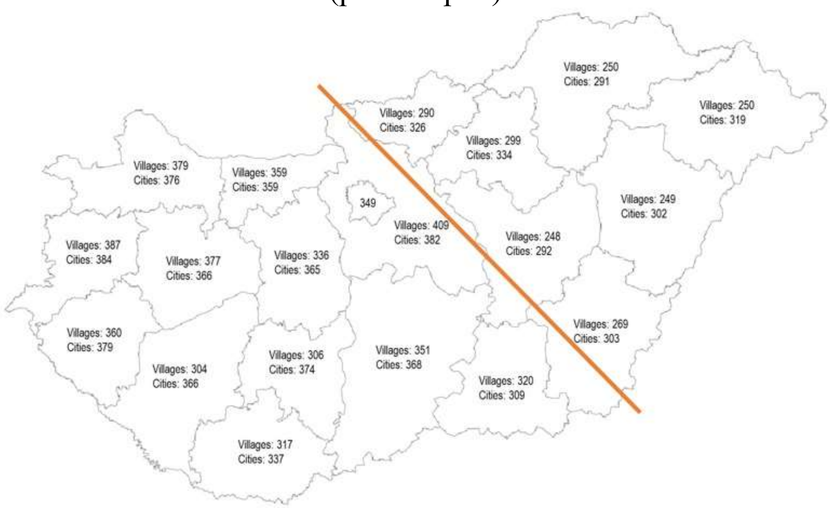
attitude of the Hungarian financial institutions the problems and importance of the countryside and of the local initiatives tend to be neglected and sidelined. In my view, the cooperative credit institutions have the potential to counterbalance this trend, though as previously due to the lack of funds, nowadays the problems coming from their integrational gaps juxtapose it.
Many researcher experts had already dealt with the city-village (urban-rural) dichotomy even back in the 1900's [*Tönnies*, 1963; *Redfield*, 1969; *Wirth*, 1938] revealing the various distinctions between the two types of settlements. They highlighted upon the alienating, impersonal features of big city-life as opposed to the village, and all these factors enabled them to identify the basic distinctions between the two different lifestyles, as well. Nowadays, due to the various urban trends and phases (urbanization boom, sub-urbanization, des-urbanization, re-urbanization) often take place parallel to each other, identifying certain types of residents of settlements is getting more complicated and vague. The rural belts around urban centers are swiftly developing, the residential, age and employment scale of their population structure is also evolving, quickly changing due to the positive effects of labor migration. As a consequence of this restructuring process, certain villages (according to their geographic position and urban vicinity) may boom economically, nevertheless we should also take into account the fact the rural commuters tend to use the primary services linked to their everyday lives (such as, schooling, banking) at the host settlement of their workplaces.
The town-village dichotomy tends to be a significant aspect for my research not only in terms of the differing lifestyles but also due to the outstanding variations manifested by the branches of cooperative credit institutions and banks. The habits of the mind of the residents of various settlements do vary originating from the fact that the basic features and aspects of their lives (e.g. working styles, employment structures, kinship, friendship types, qualifications, experiences) prove to be different since they make up the heterogeneous groups of the settlement network. All these issues prove to be important for us because when people use various financial services they tend to share diverse and altering sets of preferences (e.g. trust is of great significance for them). Therefore, applying unified financial services for both urban and rural residential customers is not beneficiary and suitable, and for this problem-cluster the banks and the cooperative credit institutions may provide appropriate solutions for us. The polarized settlement structure of our country may as well be linked with the banking structure, sharing the already-mentioned primary feature of capital (Budapest) as well as big city-centric attitude. The cooperative credit institutions tend to be an exception from this national trait, since 'cooperative credit institutions centers' prove to be headquartered in smaller cities out of Budapest (Hódmezővásárhely, Szentgál, Békéscsaba, Veresegyház, Pécs, Jászszentlászló, Bonyhád, Miskolc, Zalaegerszeg, Győr, Gyömöre, Debrecen). *Gál* [2005] made the following statement concerning the analysis of the causes of Budapest urban-rural dichotomy:

- the major centers of the specialized financial institutions are located in Budapest (the cooperative credit institutions are exceptions);
- the trade banks founded in the countryside are missing from the national banking system of our country (those established from the cooperative credit institutions are exceptions);
- besides the capital city-countryside polarization, the structural centralization of the banking system is also significant;
- the dual bank-structure features (trade banks under foreign ownership) are dominant in the bank system
- difficulties of accessing financial services in the countryside.

Dymski [2005], *Gál* [2005], and *Alessandrini et al.* [2009] have dealt with the relationship of banks with the developed geographic regions. Based on their findings, it can be stated that the banks are unwilling to finance the under-developed rural regions due to the informational asymmetries stemming from their geographic locations. This problematic case must be taken as clear evidence of exclusion since due to these measures certain groups of society (residents), economy (corporations) and regions (e.g. rural areas) can be directly isolated and deprived from the financial services. Therefore, the spatial analysis of accessibility and availability concerning the geographic and regional perspective of financial institutions tend to be crucial factors. Taken this analytic stance, the author couple *Moizs-Szabó* [2012], *Gál* [2012], as well as *Kovács* [2014; 2017] have already looked into the road connection time (minute) and spatial (km) aspects in this matter. Thus, their findings prove to be important for us, too, since they analyzed the usage of the very basic travelling utility on the road, transport by cars. As shown in figure 1., in the Hungarian countryside the number of cars belonging to 1,000 residents does not reach 400. All this might imply that about 2.5 people share a car, however due to the significantly uneven income distribution disparity it tends to be quite unreal. The figure does show us, up to a certain value, the economic development level of the analyzed settlements and it reflects the the Western distinction for us. It seems that the borderline stretching across Central-Hungary also determines the development differences among towns and villages.

Figure 1: Number of cars per 1,000 inhabitants in town/village distribution per counties (piece/capita)



Source: own compilation based on the data of TeIR

So, through the examination of the financial institutions' accessibility we can obtain outstandingly important cluster of information regarding the personal requisition of financial services. However, I consider that besides analyzing the personal utilization of cars (figure 1.) we should also take into account other, alternative solutions, as well in this matter. Public transport or even village trustee-system might as well function as partial solutions for the aging, more fragile population of the rather deprived, under-developed rural areas, which for this reason most likely lack ATM-access and financial services, too.

Along my research based on the known criteria, I would like to focus especially on the rural regions, and primarily on the analysis of the cooperative credit institutions. As a consequence of the integration process the cooperative credit institutions' capitalization has also changed just like the accessibility of the financial services, furthermore we can spot differences in the range of premium interest rates, as well. I would also like to analyze the alternative solutions for accessibility (e.g. public transport or village trustees) as well as the impact of integration upon the various residential and corporate segments. Based on the previously presented differences (town, village), I do consider geographic location to be of outstanding importance concerning the financial services. In conclusion, I would like to analyze the local advantages and disadvantages of the cooperative credit institutions' integration finalized in 2018, according to the various accessibility criteria mentioned above.

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