

1259 MEASUREMENT POSSIBILITIES OF THE TYPES OF FINANCIAL DISTANCES - THEORIES AND THE EVIDENCES

ABSTRACT

The dual banking system – for example the Central and Eastern European countries’ banking sector – which can be characterized by the foreign banks’ dominance with less and small market weight of domestically owned local small banks, shows less lending propensity towards the SME sector and peripheral and rural areas. Dual banking system strengthens the process of financial exclusion, i.e. the exclusion of certain social groups (social exclusion) or areas (rural peripheries, small settlements, urban districts) from financial services. In these structures, the geographical diffusion of banking structures and instruments increased the operational (geographical) proximity between banks and borrowers, so the financial exclusion can decrease, but the concentration of bank decisional centres widened the functional distance between banks and local communities. Operational distance is a rate, what shows how many people served by a bank branch in a city or region, so this can be used the measurement of the degree of concentration of financial institutions or financial exclusion. However, the functional distance is a complex indicator of differences between the area of examined branches and their headquarters. For this, we can use three groups of data, firstly, the physical distance and the extension of branches, secondly, some economic indicator of relevant areas (distribution of economic activity, GDP, etc.) and thirdly we use some social data for example unemployment rate, social capital, and so on. Therefore, the main goal of this study is the examination of functional distance of the different types of the banks in Hungary. Our geographical focus is a multilevel approach, because we examined the county, regional and county levels of differences between the foreign and domestic commercial banks, and the cooperative savings banks. Our findings show that the financial exclusion is a real problem and the differences of financial distances of the analysed institutions is measurable in Hungary.

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