EL DESARROLLO DEL SECTOR FINANCIERO EN UN MUNDO QUE SE GLOBALIZA: EL EJEMPLO DE UNA ECONOMÍA DE MERCADO EMERGENTE

VELLO VENSEL
Tallinn Technical University
vvensel@tv.ttu.ee

RESUMEN:

La integración económica genera las precondiciones y causa la internacionalización de los bancos y de los servicios financieros globales. La entrada de bancos extranjeros en los mercados de los países de Europa central y oriental (PECOs) ha sido rápida y significativa. Esta ponencia presenta algunos resultados empíricos sobre los motivos de la entrada de bancos extranjeros, sus actividades y su actuación en Estonia, una pequeña economía abierta que se encuentra a las puertas de unirse al mercado financiero integrado de la Unión Europea. Se presentan y analizan algunos resultados de la investigación realizada en 2001 sobre una muestra de pequeñas y medianas empresas y otros clientes particulares de bancos comerciales de Estonia controlados por inversores extranjeros. Los principales objetivos de la investigación fueron: 1) identificar las razones más importantes en la elección del banco y la intensidad y tipo de contactos de los clientes y sus bancos; 2) evaluar la calidad y amplitud de los servicios y productos bancarios; 3) evaluar la creación de valor en el proceso de relaciones entre los clientes y bancos. Los resultados de la investigación conducen a algunas conclusiones sobre los resultados del proceso de globalización del sector financiero de una pequeña economia abierta.

PALABRAS CLAVE: globalización e internacionalización; entrada de bancos extranjeros; bancos comerciales; amplitud y calidad de los servicios bancarios

DEVELOPMENT OF THE FINANCIAL SECTOR IN GLOBALISING WORLD: AN EMERGING MARKET ECONOMY CASE[1]

VELLO VENSEL
Tallinn Technical University
vvensel@tv.ttu.ee

SUMMARY:

Economic integration creates preconditions and motives for the internationalisation of banks and providing global financial services. The entry of foreign banks into the Central and Eastern European countries (CEECs) markets has been rapid and remarkable. The paper presents some empirical results of foreign bank entry motives, activities and operation in a small open economy (Estonia) on the threshold of joining the European Union integrated financial market. Some results of a sample survey undertaken among retail customers of foreign-owned Estonian commercial banks in 2001 are presented and analysed. The main aims of the survey were: (1) to identify the characteristics of most important bank choice and bank-customer contacts; (2) to evaluate the range and quality of bank services and products; (3) to evaluate value creation in the process of bank-customer relationships. The survey results lead to some conclusions about the results of globalisation process in the financial sector of a small open economy.

KEYWORDS: globalisation and internationalisation, foreign banks' entry, retail banking, bank activities range and quality.

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1. INTRODUCTION: THEORETICAL BACKGROUND

Globalisation is a world-wide process which is developing rapidly about in all countries. It is pointed out four major developments related with globalisation (see, for example, N'Diaye, 2001; Rodric, 2001; Higgot and Payne, 2000):

- The expansion of the universe of economic activity beyond the nation-state.
- The liberalisation of international trade.
- The growing importance of international financial flows.
- The growth of information and communication technologies.

A restrictive regulatory framework may limit private initiatives to marginal activities, granted monopoly rights and protection from competition. To realise potential in the global economy, government action must focus on four areas:

- Stabilising the macroeconomic situation (to combat with high inflation, unproductive spending, fiscal imbalances, large balance of payments deficits).
- Reducing the size of public sector (privatisation, to withdraw from commercial sector and devote more resources to the delivery of essential public services).
- Reform of the regulatory framework (to liberalise economic activities and promote free enterprise).
- Good governance - to focus on the following issues: transparency of government (citizens must be kept informed); simplicity of administrative procedures (with the number of participants reduced to a minimum); responsibility (accountability, penalise for offences); fight against corruption; individual freedom and collective expression (a free and responsible press); independence of the legal system (free from political pressure).

We agree with the opinion that globalisation in the wide sense means the growing integration of economies and societies that results from international flows of goods, services, capital, and ideas (Collier and Dollar, 2001, p. 4). It is interesting to mention that globalisation is not a new phenomenon and its is argued that world economy was actually more integrated at the end of the nineteenth century (Streeten, 2001; Collier and Dollar, 2001). The first wave of modern globalisation occurred really during 1870-1910, when about 60 million people emigrated from Europe, and which was a powerful force for wage convergence in America and Europe. The second wave of globalisation occurred during 1950 – late 1970, which can be characterised as integration between developed countries supported by the GATT framework. The third wave can be dated to start in late 1970s, when developing countries began to open up foreign trade and investment and continued with same trends in transition countries in 1990s, supported by mass privatisation in these countries.

Critical and constructive perspectives on global transformation are given by Nederveen, ed. (2000), a framework for the analysis of globalisation and the impact of globalisation on social structures is presented by Scholte (2000). Woods, ed. (2000) examined the way in which globalisation is used to analyse changes in the international economy and in world politics. By a study of A. T. Kearney Consulting, five most global countries are Singapore, the Netherlands, Sweden, Switzerland and Finland (Rodrik, 2001, p. 9), i.e. small and open developed economies. There exists also some lessons from the globalisation experience (see Collier and Dollar, 2001; Rodrik, 2001; Von Hirschhausen and Bitzer, eds., 2000):

- Globalisation is not inevitable, it can be stopped and reversed.
- The success of the 1990s show that integration requires not just open trade policies, but also sound institutions and policies in a range of other areas (rule of law, vigilance against corruption, etc.).
- Governments in poor developing and transitional nations might divert human resources, administrative capabilities, and political capital away from urgent development priorities such as education, public health, industrial capacity, and social cohesion.
- Global production is remarkably concentrated.

Foreign banks' entry into transition economies, as one important aspect of globalisation and internationalisation processes, is a very topical and widely discussed subject in recent literature, because the banking sector has a strong effect on the whole economy. Estonia pursues a very liberal economic policy and the share of foreign capital in the Estonian banking exceeds 80%. At the same time the Estonian banking market is highly concentrated and all the biggest banks are controlled by foreign capital. It is necessary to study the main motives and effects of foreign banks' entry in Estonia. *"Merger mania"* that began in 1996 in the European Union (EU), also affects the Estonian banking.

Banking sectors in the EU countries have been subjected to deregulatory and liberalisation changes with the aim to liberalise capital movements among the member countries. It is argued that liberalisation will significantly affect the degree of cross-border competition in the integrated banking sector of the EU and banking industries' performance and efficiency (see Claessens et al. (1998, 2001); Gual (1999); De Brandt and Davis (2000); Hasan et al. (2000); Berger et al. (2000); Hickson and Turner (2000)). Recent studies have stressed the importance of differences in the banking structure across the EU, country-specific environmental conditions and banking technology differences (Allen and Rai (1996); Pastor et al. (1997); Altunbas and Chakravarty (1998); Bikker (1998); Dietsch and Weill (2000); Dietsch and Lozano-Vivas (2000); Repullo (2000); Garcia Blandon (2000)).

There is growing experience of empirical studies to suggest that the overall economic development of a country is a positive function of the development of its financial sector, especially the banking system. Recent studies have shown that countries with well-developed financial institutions tend to experience more rapid rates of real GDP per capita growth (Levine (1997); Levine and Zervos (1998); Rajan and Zingales (1998)). More importantly, empirical studies have shown that there is a positive correlation between foreign ownership of banks and stability of the banking system (Caprio and Honahan (2000); Goldberg et al. (2000)).

There is also experience of the impact of foreign banks' participation in different countries. For example, Dages et al. (2000) examined the lending patterns of domestic and foreign banks and found that foreign banks usually have stronger and less volatile lending growth than their domestic counterparts. They also found that the diversity of ownership contributes to greater credit stability if a turmoil or a weakness is observed in the financial system. Weller (2000) showed that the entry by a greater number of multinational banks resulted in a lower credit supply by the Polish banks during the early transition phase. Comparisons of domestic-owned and foreign-owned banks' performance in the

US market are reported by Chang et al. (1998) and Peek et al. (1999). Benefits of increased foreign participation in the banking sector are discussed by Martinez-Peria and Schmukler (1999), Gruben et al. (1999), Bush (2000), Lardy (2001), Chrystal et al. (2002). Demirguc-Kunt et al. (1998) observed that over the period 1988-1995 and for a large sample of countries, foreign banks' entry generally was associated with a lower occurrence of local banking crises.

Do foreign banks entry and foreign direct investment (FDI) in the financial sector of a host country promote the growth of efficiency is a complicated issue. Graham (2001) emphasised the question of what exactly in fact is meant by *"efficiency"* in the financial sector: "Does it mean, for example, that financial institutions themselves are efficient in the sense that, for any output, they minimise the input of resources, i.e. that these institutions are cost-efficient? (This concept of efficiency is often termed *"x-efficiency"*.) Or, alternatively, does it mean that, given the volume of national savings that an economy generates, these institutions intermediate these savings into the best possible end-uses, taking into account the risk characteristics of alternative end-use possibilities? The first concept is about the efficiency of individual financial institutions, whereas the second is about the efficiency of the entire financial system as it affects the performance of the economy." (op. cit., p. 8). Unfortunately, these two concepts of efficiency do not coincide fully.

Theoretical considerations suggest that foreign banks may be more x-efficient than domestic banks, but not necessarily so. Fortunately, a large number of empirical studies have shown that many banks, operating outside their own country, are typically more x-efficient than domestic locally-owned banks (see Berger et al. (2000) for the review of the recent relevant literature). Berger et al. (2000) studied the relative efficiencies of foreign versus domestically owned banks in five developed industrial countries (the US, the UK, France, Germany, Spain) and their main finding was that foreign owned banks from certain countries of origin (especially, the US banks) tend to be more efficient than either domestically owned banks or foreign owned banks from other countries (the authors called this phenomenon *"limited global advantage"*). In developing countries, foreign owned banks are generally more efficient than domestically owned ones, i.e. *"global advantages"* dominate over *"home field advantages"* (see Claessens et al. (2001)).

An equally important issue for emerging market economies is, whether foreign banks' entry will contribute to banking system stability and to being a stable source of credit, especially during crises periods. Mathieson and Roldos (2001) pointed out two related issues: whether the presence of foreign banks makes systemic banking crises more or less likely to occur, and whether there is a tendency for foreign banks to *"cut and run"* during crises periods (op. cit., p. 23). In general, it has been suggested that foreign banks can provide a more stable source of credit because branches and subsidiaries of large international banks can draw on their parents (which typically hold more diversified portfolios) for additional funding. Large international banks are likely to have better access to global financial markets and the entry of foreign banks can improve the overall stability of the host country banking system (stronger prudential supervision; better disclosure, accounting and reporting practice, etc.).

There are also some concerns that foreign banks' entry may worsen banking system stability in the host country. For example, if domestic banks are relatively inefficient, they may respond to increased competition by undertaking higher-risk activities to earn returns, or they will be forced into bankruptcy. Foreign banks may tend to take over the most creditworthy domestic customers, leaving domestic banks to serve other more risky customers and thereby worsen the profit, risks and capital position of domestic banks. There have also been concerns about the behaviour of foreign banks during crises periods, although recent empirical studies have shown that greater foreign bank participation was a stabilising factor also during crises periods, see Demirgüc-Kunt and Detraigiache (1998); Palmer (2000); Goldberg et al. (2000).

The main expected benefits and drawbacks from the entry of foreign banks are clearly defined by Bonin et al. (1998), see also Chrystal et al. (2001); Dages et al. (2000); Murinde an Ryan (2000). The main expected benefits include:

- Introduction of new banking technology and financial innovations (for foreign banks it is relatively easy to introduce new products and services to the local market).
- Possible economies of scale and scope (foreign banks can help encourage the consolidation of the banking system, they have knowledge and experience of other financial activities: insurance, brokerage and portfolio management services)
- Improvement of the competition environment (foreign banks represent potent competitors to local banks).
- Development of financial markets (foreign banks' entry may help deepen the inter-bank market and attract business from customers that would otherwise have gone to foreign banks in other countries).
- Improvement of the financial system infrastructure (transfer of good banking practice and know how, accounting, transparency, financial regulation, supervision and supervisory skills).
- Attracting foreign direct investment (foreign banks' presence may increase the amount of funding available to domestic projects by facilitating capital inflows, diversifying the capital and funding basis).

Pomerleano and Vojta (2001) pointed out some new emerged factors which are stimulating participation of foreign banks in emerging market-banking systems and which drive from current trends in banking development (op. cit., p. 3-4):

- The banking sector is consolidating on a global basis and the global economy is increasingly interconnected in real and financial terms. A small number of very large global banking institutions and smaller domestic banks are emerging in emerging markets and they lack necessary resources and/or do not desire to build competitive global networks. Domestic banks should create alliances with these global banks to provide global financial services to their customers.
- The development of local capital markets, often fueled by pension reforms. The development of local capital markets requires the import of foreign expertise in the form of foreign branches, joint ventures etc.
- The global financial system is in the process of supporting a movement to achieve universal acceptance of global standards and best practices. Compliance with these standards requires the adoption of foreign expertise by domestic banks.
- The increased foreign direct participation in domestic banks, which is related with privatisation and restructuring of the domestic banking system as a result of transition to market economies in CEECs.

Among the main arguments against foreign banks' entry the following should be mentioned:

- Fear of foreign control (control over the allocation of credit implies substantial economic power in any economy).
- Banking as an infant and special industry (this argument is a form of the general infant industry argument and banks are subject to various special protections due to their central role in the economy).
- Foreign banks may have different objectives (foreign banks may be interested only in promoting exports from the home country, or in supporting projects undertaken by home country firms).
- Regulatory differences (the host country supervisors lose regulatory control and if the home country has weak bank supervision, this may lead to unsound banking in the host country).

Hellmann (1996) distinguished between three internationalisation strategies: customer following strategy, market seeking strategy and following the leader strategy. All of those three features may contribute to the internationalisation at the same time. The question is what strategy is more important at the moment. Neither strategy alone is sufficient to guarantee profitable international operations. It has been observed that following the customer may be a motive in the early stages of internationalisation, but its importance may decrease over time (Li and Guisinger (1992)).

All these arguments need additional empirical testing. An interview study questionnaire was elaborated with this aim in mind, using the experience and lessons of other analogous studies (see Konopielko (1999); Kraft and Galac (2000); Pomerleano and Vojta (2001)). Another questionnaire was elaborated and the survey was carried out for the evaluation of the quality of provided banking services and some characteristics of ban-customer relationships in foreign owned Estonian banks (see also Vensel and Wihlborg, 2001; Kowalski, Lensink and Vensel, 2002). The reminder of the paper is organised as follows. Foreign banks' motives for entry and their activities are presented in Section 2. Foreign-owned banks' behaviour (customer satisfaction with banks' activities and some more important characteristics of bank-customer relationships) are discussed in Section 3, and the paper ends with concluding remarks.

2. FOREIGN BANKS ENTRY: MOTIVES AND ACTIVITIES

2.1 Structural Developments

The structure of the Estonian banking sector has changed fundamentally during the last years. Today, the banking system is highly concentrated and two Swedish-owned banks dominate in the market. The consolidation process continued throughout the second banking crisis in 1998-1999 resulting in fundamental bank reorganisations. We can notice all three world-wide trends in the financial consolidation process also in the Estonian market: domestic consolidation, foreign entry and cross-border consolidation, and the formation of financial conglomerates and bancassurances.

At the end of 2001, there were six credit institutions operating in the Estonian banking market, a branch of a non-resident credit institution (*Merita Bank Plc, Tallinn Branch*) and representative offices of seven non-resident financial institutions. The ownership structure of Estonian banks is presented in Table 1.

The dependence of the Estonian banking system on the developments in international financial markets and on foreign investors' preferences deepened from year to year. In the course of the restructuring process, foreign banks increased their share in equity capital from 10.3% in 1996 to 63.3% at the end of 2001.

Table 1. Ownership Structure of Estonian Banks, %

Year	Estonian Owners				Non-Resident Owners			
	Public Sector	Legal Persons	Indivi-duals	Total	Banks	Legal Persons	Indivi-duals	Total
1996	12.0	NA	NA	62.8	10.3	NA	NA	37.2
1997	4.2	41.6	11.3	57.1	22.7	19.6	0.6	42.9
1998	13.6	22.3	8.6	44.5	45.5	9.5	0.5	55.5
1999	11.6	15.2	11.0	37.6	52.6	8.9	0.7	62.2
2000	0.0	6.8	9.3	16.1	67.0	16.7	0.2	83.9
2001	0.0	5.6	8.5	14.1	63.3	22.3	0.3	85.9

Source: Bank of Estonia

Equity investments by Swedish banks in two largest Estonian banks (Hansapank and Union Bank of Estonia) in 1998 and by Finnish insurance company Sampo in Optiva Pank in 2000, increased the share of all non-resident owners from 37.2% to 83.9% during 1996-2000. The public sector (mostly the Bank of Estonia) share in the ownership structure increased in 1998 due to the rescue operation of two smaller banks (the central bank was the core shareholder of the newly established Optiva Pank), and decreased to zero at the end of 2000 due to the sale of Optiva Pank to Sampo.

2.2. Motives for Foreign Banks' Entry

The above mentioned survey of foreign and domestic banks was carried out during May-July 2001. All foreign and domestically owned banks in Estonia were asked about the motives for foreign banks' entry and preliminary effects of it. The response rate of domestic banks was 100%, response rates of foreign banks and representative offices were 50% and 67% respectively. The banks were asked to evaluate different questions on a 5-point scale.

The main reasons for entry to the host country's market are presented in Table 2 (DB – domestic banks; FB – Foreign banks evaluations). It appears, that most important motives for foreign banks' entry are looking for new business opportunities and seeking of new clients (the average grade of the total sample is 4.43) and following the existing clients with the average 3.93. Expansion strategy of the bank to the other market was also important (the average 3.71). Hellmann (1996) has pointed out three potential internationalisation strategies of banks: customer following strategy, follow the leader strategy and market seeking strategy. Our results suggest that banks have probably followed all the three strategies. It is interesting to mention, that responded domestic banks were on the opinion, that following the expansion strategy is also on important motive for foreign banks' entry (4.33 points).

Table 2. Main Reasons for Entry to the Host Country Market

Reason	***DB***	**FB**	**Mean**
Following the existing clients, supporting the client base	4.00	3.88	3.93
Looking for new business opportunities and for new clients	4.67	4.25	4.43
Supporting international trade financing (export-import financing)	3.67	3.25	3.43
Meeting the competition of other banks	3.67	3.00	3.29
Following expansion strategy of the bank to other markets	4.33	3.25	3.71
Supporting and developing the local client base	2.67	3.63	3.21
Foreign exchange trading	1.00	2.25	1.71
Portfolio diversification/management of risk exposures	2.33	2.50	2.43

It can be said that the classical important host country determinants of FDI (foreign direct investment) are important also in the banking sector. Again it is not possible to distinguish the most important factor underlying the foreign entry decision, because they are equally important, see Table 3. Nevertheless, macroeconomic and political stability, end liberal economic environment in Estonia were evaluated more highly by respondents – average grades at least 4.0 points.

Table 3. Importance of Different Host Country Market Specifics

Specific feature	***Domestic***	**Foreign**	**Average**
Macroeconomic and political stability	4.00	4.38	4.21
Liberal economic environment	4.67	3.50	4.00
Potential for future EU membership	4.33	3.50	3.86
Relatively high interest spreads	4.00	3.25	3.57
Good expansion opportunities	3.67	4.00	3.86
Geographical, cultural, historical proximity	4.33	3.38	3.79
Existing clients and potential new client base	3.67	3.88	3.79
Presence of competitor banks	2.67	3.13	2.93
Good tourism development opportunities	3.00	2.00	2.43
Industries development opportunities	3.00	2.13	2.50

2.3. Competitive Advantages, Target Groups and Fields of Activities of Banks

It is commonly agreed that foreign banks have several advantages over domestic banks in transition economies (see Bonin et al. (1998), Kraft and Galac (2000); Konopielko (1999)). Respondents' evaluations of the advantages and disadvantages of foreign banks in the Estonian banking market are presented in Table 4. The results of our study suggest that foreign banks have significant advantages over Estonian domestic banks in terms of: 1) better loan interest rates; 2) expensiveness of funding sources; 3) higher reputation; and 4) better risk management (see table 3). The main advantage of the domestic banks is the knowledge of customers and closer bank-customer relations in Estonia. We can also see quite remarkable differences between domestic and foreign bank respondents' opinions about advantages of the foreign banks in the market. For example, when employee quality and competence was highly evaluated by domestic bank (average grade 4.0 points), then foreign banks do not think so (average grade only 2.75 points).

Table 4. Advantages and Disadvantages of Foreign Banks

Advantage/Disadvantage	***Domestic***	**Foreign**	**Average**
Expensiveness of funding sources	3.33	4.00	3.71
Loan interest rates	4.33	3.75	4.00
Employee quality and competence	4.00	2.75	3.29
The range and quality of banking innovations	3.00	2.50	2.71
Knowledge of the local client	2.33	2.75	2.57
More diversified portfolio	3.33	2.75	3.00
Superior mix of financial services	3.33	3.00	3.14
Better risk management	4.00	3.00	3.43
Reputation of foreign banks	4.00	3.25	3.57
Success of advertising campaigns	2.33	2.50	2.43
Legal impediments	3.00	3.00	3.00
Internal communication	3.00	2.67	2.83
Competition threat to domestic banks	3.33	3.67	3.50

Our results also indicate that foreign and domestic banks in Estonia have somewhat different target customer groups, see Table 5. Most important client groups for the domestic banks in Estonia are small and medium size domestic companies and high-income individuals (the average grade for both client groups 4.33). The main target client groups for foreign-owned banks are as follows: high-income individuals, foreigners and foreign investors and home country companies. This result indicates that foreign banks have followed their home country customers into the Estonian market. International corporations and large exporters are valuable client groups for foreign-owned banks (the average grades respectively 3.38 and 3.63), but not domestic banks (the average grades 1.67 and 2.00 respectively)

Table 5. Main Target Groups of Foreign and Domestic Banks in Estonia

Target client group	**Domestic**	**Foreign**	**Average**
Large domestic companies	2.00	3.63	2.93
Small and medium size domestic companies	4.33	2.50	3.29
Home country companies	2.67	3.88	3.36
International corporations	1.67	3.38	2.64
Foreigners and foreign investors	3.67	3.50	3.57
Large exporters	2.00	3.63	2.93
Households	3.67	2.75	3.14
High-income individuals	4.33	3.25	3.71
Sole proprietors	2.33	2.63	2.50

Our results indicate that there are no significant differences between foreign and domestic banks in the main fields of activities in Estonia. The specific banking activities are not very essential in Estonia because all active banks in Estonia are universal banks (see Table 6). Although, corporate financing is the most important field of activity for both domestic and foreign banks (average grade 4.14; in domestic banks 4.33 and in foreign banks 4.00). It is quite interesting that non- financial activities are highly evaluated by domestic banks (average grade 4.33), but not by foreign banks (average grade 2.50)

Table 6. Main Fields of Activities of Foreign and Domestic Banks in Estonia

Activity	Domestic	Foreign	Average
Corporate financing	4.33	4.00	4.14
Foreign exchange trading	4.00	2.50	3.14
International trade financing	2.33	2.88	2.64
Project financing	2.67	3.38	3.07
Dealing in securities market	3.00	2.38	2.64
Retail banking activities	3.33	2.75	3.00
Leasing	3.00	3.25	3.14
Cash and assets management	4.00	3.13	3.50
Capital market	4.00	3.13	3.50
Insurance activities	2.33	1.83	2.08
Non-financial activities	4.33	2.50	2.63

3. FOREIGN-OWNED BANKS' BEHAVIOUR

3.1. General Characteristics of the Sample

In co-operation with Estonian foreign-owned banks, a total of 2000 questionnaires were mailed to private clients of Swedish owned Hansapank and the Union Bank of Estonia (UBE), 1000 to each. Finnish owned Sampo Bank (previous Optiva Bank) refused to use its private clients' database because it had recently carried out its own survey. Respectively 164 (16.4%) and 200 (20.0%) responded. In addition, 199 so-called mixed respondents (students questioned, etc.) were included.

We may conclude that the sample size (both private customers and SMEs) is sufficient for making generalisations. Calculations showed that even in the case of the severest requirements (probability 0.95 and error term 0.1 points), the necessary sample size has to be in the range of about 130-460 respondents (different variables have different variance). The sample is also sufficiently representative. For example, the distribution of private respondents by sex and by age is quite similar to the distribution of the whole population of Estonia: female and male distribution of Estonian population at the beginning of the year 2000 was 53% and 47% respectively - in the sample 59% and 41% (see Table 2), the proportion of the age groups up to 25 years and over 55 years 33% and 25% respectively (in the sample 34% and 20%) etc. (see Estonian Statistical Office, 2001). Geographical distribution of the sample was guaranteed so that the banks sent questionnaires to their clients following the geographical distribution of the clientele.

A total of 1500 questionnaires were mailed to SME clients of Hansapank, Union Bank of Estonia and Sampo Bank (500 to the clients of each bank). The number of questionnaires returned by the clients of Hansapank was 46 (9.2%), by the clients of the Union Bank of Estonia 103 (20.6%), and by the Sampo Bank clients 36 (7.2%). In addition, 33 respondents answered to our interviewers (referred to as "mixed"). About half (49.6%) of the SMEs responded that they operated their business in manufacturing industries or in trade and other services. Corporations and limited liability companies formed the majority of the sample firms (82.5%); most firms (77.1%) were fully domestically owned private SMEs. Small firms (up to 10 full-time workers) formed about half of the sample (49.1%), another half were medium-sized firms. About one-third of the sample firms started the business after 1996. It is a well-known fact that SMEs have a limited access to the official loan market in transition countries – 59.1% of the sample firms had used their own savings as the most important source of start-up financing, only 7.8% of the respondents had used bank loans and 30.8% other loans (from relatives and friends, from money-lenders etc.).

Analysis of the distribution of respondents (both individuals and SMEs) by the main bank servicing the customer gave quite interesting results:

- About one-third of the private clients and the majority of the SME clients use services of more than one bank for diversification of risks. The answers to the question why they use services of more than one bank, were “I do not want to loose all the money” and “For risk diversification”. The answers showed that clients of one bank are more loyal to their servicing bank and they do not change the servicing bank very easily.
- Banks sent questionnaires to their clients, but some respondents defined themselves as clients of another main bank servicing them. For example, 91.5% of the respondents who received the questionnaire from *Hansapank* defined themselves as clients of the *Hansapank* as the main bank, but the same indicator of the Union Bank of Estonia was only a little over a half (54.5%) – see also Figure 1. The picture among SME clients was somewhat different: 91.3% of the respondents from *Hansapank* defined *Hansapank* as the main bank, 80.6% of the Union Bank of Estonia respondents defined UBE as the main bank, and only 52.8% of the Sampo Bank respondents defined Sampo Bank as the main bank. We may argue that clients of *Hansapank* are more loyal in comparison with those of UBE and Sampo Bank..

3.2. The Bank Choice Characteristics and Contacts with the Bank

Criteria for Choosing the Bank Servicing the Customer

We set up the following hypothesis*: Credibility or reputation of the bank is the most important criterion for the retail customer in choosing the servicing bank.*

The first, second and third order criteria for choosing the bank by the individuals and SME clients are presented in Appendix 1. Credibility of the bank dominates among various criteria quite clearly, both as the first-order criterion and as the total criterion, as evaluated by individuals (489 answers, i.e. 29.6% of the total number of respondents) and SMEs (159 answers, i.e. 24.9% of total answers). Private customers appreciated highly also suitable location of the bank (9.9% of the respondents), range of bank services (9.9%), availability of electronic bank services (8.7%) and price of bank services (7.3%). The preferences of SME clients are a little different and they appreciate more the following criteria: availability of electronic bank services (14.5% of the respondents), suitable location of the bank (9.2%), availability of credits (8.9%) and quality of banking services (8.4%).

In general, the banks’ retail customer preferences for choosing the bank servicing them were as follows: (1) credibility of the bank (28.6% of total answers), (2) availability of electronic bank services (10.5% of the respondents), (3) suitable location of the bank (9.9%), (4) range of bank services (9.6%), and (5) quality of bank services (7.5%). Surprisingly, service time and settlement operation time, also bank staff competence, simplicity of procedures were not important criteria for choosing the bank. There were no significant differences between the bank choice characteristics between clients of different banks. And so, the posted hypothesis about the credibility of the bank as the most important criterion for choosing the bank servicing the customer, holds.

Contacts with the Bank Servicing the Customer

The frequency of retail customers' contacts with the servicing bank is presented in Table 7. There are quite relevant differences in the behaviour of individuals and SMEs. Individuals prefer to use ATM services (75.3% of the private respondents and 55.0% of SME respondents), SMEs Internet bank services (73.9% of SME respondents and 52.0% of private respondents), both customer groups use less phone bank services (27.4% of private respondents and 39.0% of SME respondents). Almost all individuals and SME customers use also bank office services. It is interesting to mention that among the clients of Hansapank, the share of Internet bank services users is significantly higher (for example, among SME clients 82.6%) than among those of UBE (68.9%) and Sampo Bank (77.8%).

Table 7. Frequency of Contacts with the Bank (Number of Respondents)

Frequency	**Individuals**				**SMEs**			
	O	**A**	**P**	**I**	**O**	**A**	**P**	**I**
Every Day	1	12	1	12	12	8	23	100
2-4 Times a Week	8	150	7	62	35	27	8	33
Once a Week	22	128	5	76	47	23	2	15
2-3 Times a Month	81	87	17	56	52	17	6	2
Once a Month	149	31	24	30	32	11	1	4
Less	260	16	100	57	35	34	45	7
Unmarked	42	139	409	270	5	98	133	57
Total	563	563	563	563	218	218	218	218

Notice: O – office; A – ATM; P – phone banking; I – Internet banking

SMEs use bank services clearly more frequently: Internet bank services mostly every day (62.1% of the SME respondents), ATM services at least once a week (48.3%), bank office services at least 2-3 times a month (68.5%) – see Figure 1. Private clients use Internet bank services mostly once a week (25.9% of private respondents), bank office services once a month or less (78.5%), but they use ATM services more frequently – 68.4% of the respondents at least once a week. Private clients use also phone-bank services mostly less than once a week (64.9% of the private respondents). It is quite interesting that SMEs use phone bank services either every day (27.1% of the SME respondents), or they use these services less than once a month (52.9%).

Distance to the Office of the Main Bank

The distribution of private and SME respondents by the distance to the nearest main bank office is quite similar (see Table 8). The distance of the majority of respondents (61.2% of private clients and 63.8% of SME clients) from their home or the firm to the bank office was less than 2 kilometres. But for 13.3% of all respondents, this distance was more than 10 kilometres, mostly in rural places. The distance to the main bank office is not a problem, although Estonian banks have closed their subsidiary offices and branches in order to raise the efficiency.

Table 8. Distance of the Client to the Main Bank Office

Distance	Individuals		SMEs		Total	
	No.	%	No.	%	No.	%
Less than 1 km	217	38.6	86	39.5	303	38.8
1-2 km	127	22.6	53	24.3	180	23.0
2-3 km	37	6.6	23	10.5	60	7.7
3-4 km	23	4.0	13	6.0	36	4.6
4-6 km	46	8.2	7	3.2	53	6.8
6-10 km	32	5.6	8	3.7	40	5.1
More than 10 km	78	13.9	26	11.9	104	13.3
Unmarked	3	0.5	2	0.9	5	0.7
Total	563	100.0	218	100.0	781	100.0

Average Time Spent Waiting for Service in the Bank Office

Clients using phone or Internet bank services do not spend time waiting for bank services and transactions take place almost immediately. The overwhelming majority of respondents spent less than ten minutes in banks' subsidiary offices or branches waiting for services (83.7% of private respondents and 85.8% of SME respondents, see Table 9). Only very few respondents marked that they spent more than 20 minutes waiting for services in bank offices. It is relevant to mention that the waiting time in Hansapank offices (for example, the proportion of SME clients with waiting time less than 5 minutes was only 26.1% while 19.5% had to wait more than 10 minutes) was longer than in other banks' offices.

Table 9. Average Time Spent Waiting for the Bank Service

Spent time	Individuals		SMEs		Total	
	No.	%	No.	%	No.	%
Up to 5 minutes	188	33.4	104	47.7	292	37.4
5-10 minutes	283	50.3	83	38.0	366	46.9
10-20 minutes	79	14.0	22	10.1	101	12.9
More than 20 minutes	5	0.9	3	1.4	8	1.0
Unmarked	8	1.4	6	2.8	14	1.8
Total	563	100.0	218	100.0	781	100.0

3.3. Satisfaction with the Quality of Bank Activities

Satisfaction with the Quality of Bank Activities

Estimates of the quality of different bank activities in a 5-point scale (1 – very poor quality, …, 5 - excellent quality) are presented in Table 10 (mean grade, standard deviation SD, and coefficient of variance, CoV). It is interesting that the opinions of private and SMEs clients about the quality of servicing them were very similar. More highly evaluated were: (1) individual approach to the client (average estimate 4.07 given by private clients and 4.04 by SME clients); (2) the range of bank services and products (average estimate 3.98 by private clients and 3.96 by SME clients); (3) confidentiality of information (average estimate 3.88 by private clients and 3.90 by SME clients).

Both private and SME clients were dissatisfied with the level of interest rates and the level of fees and charges – average estimates were respectively 2.44 and 2.53 points (individuals), and 2.65 and 2.82 points (SME respondents). It is important to add that SME clients of the Sampo Bank evaluated the quality of the bank activities more highly than the clients of other banks: individual approach to a client – 4.11 points, confidentiality of information – 4.07 points, range of bank services and products – 4.06 points, and quality of statements and reports – 4.00 points.

Table 10. Evaluation of the Quality of Bank Activities

Bank Activities	Individuals			SMEs		
	Mean	SD	CoV	Mean	SD	CoV
Range of Bank Services/Products	3.98	0.63	0.16	3.96	0.63	0.16
Time of Settlements	3.68	0.86	0.23	3.73	0.87	0.23
Network of Branches and Offices	3.70	0.93	0.25	3.66	0.92	0.25
Network of Correspondent Banks	3.53	0.78	0.22	3.70	0.76	0.21
Level of Interest Rates	2.44	0.92	0.38	2.65	0.96	0.36
Level of Fees and Charges	2.53	0.96	0.38	2.82	1.04	0.37
Information Availability	3.74	0.84	0.22	3.77	0.75	0.20
Quality of Statements, Reports	3.78	0.73	0.19	3.79	0.73	0.19
Confidentiality of Information	3.88	0.89	0.23	3.90	0.82	0.21
Individual Approach to a Client	4.07	0.81	0.20	4.04	0.89	0.22
Negotiation Possibilities	3.40	1.01	0.30	3.65	1.03	0.28
Range of Innovations	3.85	0.76	0.20	3.77	0.84	0.22

Comfort and Professionalism of Bank Services

Average estimates of comfort and professionalism of bank services in a 5-point scale (1 – not satisfied at all, …, 5 – fully satisfied) are presented in Table 11. Private clients were satisfied with (1) courtesy and nice service – 4.14 points, (2) aid in following the necessary procedures – 4.08 points, and (3) willingness to solve client's problems – 4.02 points; SME clients evaluated highly only courtesy and nice service – 4.13 points. All other characteristics were evaluated as satisfactory (given average scores between 3.00÷3.99). Surprisingly, both client groups of all banks were less satisfied with car parking possibilities near the bank office - average grade given by private respondents 3.52 points, by SME clients 3.38 points, and also with business hours – average grades 3.43 and 3.51 points, respectively.

Table 11. Evaluation of Comfort and Professionalism of Bank Services

Indicator	Individuals			SMEs		
	Mean	SD	CoV	Mean	SD	CoV
Business Hours	3.43	0.94	0.27	3.51	0.91	0.26
Distance to the Bank	3.72	1.14	0.31	3.83	0.97	0.25
Suitable Access (car park etc.)	3.52	1.03	0.29	3.38	1.08	0.32
Interior of the Bank Office	3.99	0.73	0.18	3.96	0.80	0.20
Courtesy and Nice Service	4.14	0.74	0.18	4.13	0.78	0.19
Willingness to Solve Client's Problems	4.02	1.15	0.29	3.94	0.84	0.21
Time and Efficiency of Services	3.74	1.18	0.32	3.83	0.81	0.21
Customer Approach Flexibility	3.63	0.88	0.24	3.69	0.92	0.25
Banking Knowledge/Competence	3.87	0.75	0.19	3.80	0.78	0.21
Experience in Co-operation	3.73	0.85	0.23	3.90	0.77	0.20
Aid in Following Needed Procedures	4.08	0.75	0.18	3.98	0.76	0.19

Bank's Position and Safety in the Market

Average estimates of the bank's position and safety in the market in a 5-point scale are presented in Table 2. Clients estimated more highly the bank's market share on the domestic market (average grade by private clients 3.87 points and by SME clients 3.92 points) and the bank's image (average grades 3.93 and 3.86 points, respectively). The results of the evaluation of the image of different banks are interesting. Both private and SME clients of Hansapank evaluated the image of the servicing bank more highly – SME clients gave the average grade 4.12 points and private clients 3.91 points. The UBE clients gave significantly lower grades to their bank's image – 3.76 points and 3.77 points, respectively. SME clients of Sampo Bank appreciated their bank's image even less, the average grade was 3.53 points.

Table 12. Evaluation of the Bank's Position and Safety

Indicator	Individuals			SMEs		
	Mean	SD	CoV	Mean	SD	CoV
Market Share on Domestic Market	3.87	1.07	0.28	3.92	0.82	0.21
Market Share on Regional Market	3.73	0.84	0.23	3.54	0.96	0.27
Bank's Image	3.93	0.71	0.19	3.86	0.73	0.19
Ownership Structure	3.44	0.89	0.26	3.59	0.76	0.21
Funds Safety	3.66	0.77	0.21	3.64	0.79	0.22
Overall Trustworthiness/Credibility	3.79	0.75	0.20	3.80	0.81	0.21

Overall Satisfaction with Services and Products of the Servicing Bank

The results of the evaluation of the overall satisfaction with bank services in a 5-point scale (1 – not at all satisfied, …, 5 – fully satisfied) are presented in Table 13. All average grades given by the respondents were between 3.40 and 2.89 grades and standard deviations were relatively small – we may conclude that clients (both individuals and SMEs) are in general satisfied with the bank services. And once again, the clients of Hansapank were more satisfied with the bank services. For example, only one private client of Hansapank was not satisfied with services offered by the bank, while seven UBE private clients were not satisfied (grades 1 or 2).

Table 13. Evaluation of the Overall Satisfaction with Bank Services

Indicator	Individuals			SMEs		
	Mean	SD	CoV	Mean	SD	CoV
Range of Bank Services/Products	3.76	0.67	0.18	3.80	0.66	0.17
Quality of Bank Services/Products	3.79	0.66	0.17	3.77	0.72	0.19
Range and Quality of Payment Services	3.75	0.73	0.19	3.77	0.71	0.19
Range and Quality of Credit Services	3.41	0.85	0.25	3.40	0.86	0.25
Technological Level of Services	3.89	0.66	0.17	3.76	0.75	0.20
Range and Quality of Innovations	3.76	0.68	0.18	3.67	0.79	0.22
Range and Quality of Information and Consulting Services	3.55	0.76	0.21	3.58	0.82	0.23
Range and Quality of Other Services	3.57	0.63	0.17	3.58	0.70	0.20
Overall Satisfaction with the Bank	3.77	0.67	0.18	3.79	0.72	0.19

3.4. Characteristics of Bank-Customer Relationships

Information Availability

Evaluation results of information availability and quality in a 5-point scale (1 – very poor, …, 5 – excellent) are presented in Table 14. We may conclude that clients were in general satisfied with the amount and quality of information received from the bank servicing them, the average grades were 3.32÷3.89 points.

Table 14. Evaluation of Information Availability

Indicator	Individuals			SMEs		
	Mean	SD	CoV	Mean	SD	CoV
Written Information about Services and Products in a Bank Office	3.79	0.85	0.22	3.75	0.79	0.21
Information Concerning Pricing	3.64	0.95	0.26	3.66	0.83	0.23
Bank Workers' Verbal Information	3.85	0.83	0.22	3.79	0.85	0.22
Electronically Available Information	3.74	0.91	0.24	3.81	0.81	0.21
Bank's Financial and Other Reports	3.32	1.08	0.33	3.74	0.82	0.22
Quality of Bank's Statements	3.46	1.00	0.29	3.89	0.77	0.20

Private clients were less satisfied with the availability of financial and other statements (average grade 3.32 points) and with the quality of statements and reports of the bank (average grade 3.46 points). Clients were more satisfied with both written and verbal (mouth-to-mouth communication) information received from bank offices. A large number of private respondents did not answer the question about the quality of statements and reports (the proportion of respondents 40.4%) and to the question about the availability of financial and other reports (respectively 36.0%). It seems that these clients are either not interested or they did not understand the question.

Interest in the Results of the Servicing Bank's Performance

Bank clients' evaluation results concerning their interest in the bank's performance in a 5-point scale (1- not interested at all, …, 5 - very interested) are presented in Table 15. Both SME and private respondents are more interested in income statements of the bank, but they did not evaluate this interest very highly – average grades 3.48 and 3.32, respectively. Surprisingly, very few respondents are interested in financial ratios characterising the bank performance and management of risks. A large number of clients are not interested in the financial ratios as performance characteristics of the bank servicing them. The proportion of respondents who answered "Yes" to the question *Are you interested in the bank's financial ratios?*, was 4.1% among private clients and only 10.1% among SME clients.

Table 15. Evaluation of the Interest in Bank's Performance

Interest	Individuals				SMEs			
	Yes	No	Mean	SD	Yes	No	Mean	SD
Balance Sheet	165	268	3.31	0.86	118	68	3.55	0.75
Income Statement	213	222	3.32	0.92	130	54	3.48	0.87
Financial Ratios	23	348	2.88	1.13	22	115	3.50	0.50
Bank Shares Value	151	259	3.38	0.89	77	82	3.38	0.88

Usefulness of Bank-Customer Relationships

The value creation characteristics of bank-customer relationships are presented in Table 16. Opinions of SME and private clients about the usefulness of relationships (value creation from relationships) are quite different. While 64.3% of the SME respondents were of the opinion that bank-customer relationships create value to both sides (i.e. to the customer and the bank), then among private clients, this share of clients was only 35.4%, due also to the fact that 22.9% of private clients did not answer this question. Among the respondents who answered this question, the respective shares were 45.9% and 66.0%. It is also important to mention that about every fifth of both private and SME respondents was of the opinion that bank-customer relationships create value only to the bank (21.3% and 22.2% respectively).

Table 16. Evaluation of Usefulness of Relationships (Value Creation)

Relationship creates value to …	Individuals		SMEs		Total	
	No.	%	No.	%	No.	%
Both Sides of Relationship	199	35.4	140	64.3	364	46.8
The Customer Mainly	98	17.4	36	16.5	144	18.4
The Bank Mainly	120	21.3	32	14.7	174	22.2
Does not Create Value	17	3.0	4	1.8	26	3.3
Unmarked	129	22.9	6	2.7	73	9.3
Total	563	100.0	218	100.0	781	100.0

Obstacles to Co-operation between the Customer and the Bank

The most important hindrances harming the bank-customer relationships are presented in Table 17. Two most important hindrances, mentioned both by private and SME respondents, are queues in servicing (27.4% of total respondents) and unsuitable business hours (20.8% of total respondents). Private clients mentioned among more relevant hindrances also unsuitable bank office location (14.3% of private respondents), SME clients lack of individual approach to servicing the client (18.3% of SME respondents).

Table 17. Most Important Hindrances in Bank-Customer Relationships

Obstacle	Individuals		SMEs		Total	
	No.	%	No.	%	No.	%
Complicated Forms/Procedures	89	12.5	28	15.1	117	13.0
Queues in Servicing	200	28.2	46	24.7	246	27.4
Lack of Individual Approach	88	12.5	34	18.3	122	13.6
Lack of New Technologies	82	11.5	26	14.0	108	12.0
Unsuitable Bank Location	102	14.3	2	1.0	104	11.6
Unsuitable Business Hours	151	21.0	36	19.4	187	20.8
Lack of a Concrete Service	0	0.0	14	7.5	14	1.6

4. CONCLUSIONS

Globalisation as a world wide trend means the growing integration of economies and societies that results from international flows of goods, services, capital and ideas, including also reducing the size of public sector via privatisation. Globalisation is not a new phenomenon in the world economy, but this process has been widened during 1990s and in the beginning of the new century, partly due to the transition of a large number previously closed centrally-planned economies to the market economies. There exists en experience of globalisation, which have to be studied seriously in transition economies and the EU candidate countries.

Foreign banks' entry into the CEECs market is one important aspect of globalisation and internationalisation. It is argued and empirical studies have also shown that there is a positive correlation between foreign ownership of banks and stability of the banking sector. Experience of foreign banks' participation in different countries is available and it is important to learn from it.

The main expected benefits and drawbacks resulting from the entry of foreign banks are well known, but these arguments need additional empirical testing. A special questionnaire was elaborated with this aim. Some important conclusions can be drawn on the basis of this empirical study:

(1) The main reason for foreign banks' entry into the Estonian banking market has been their use of the customer following strategy. Both the results of regression equation and the questionnaire confirm that the customer following strategy was important for foreign banks. Looking for new business opportunities and search for new clients was also evaluated as an important motive for foreign banks' entry.

(2) The main advantages of foreign banks over domestic banks in Estonia are as follows (evaluated both by foreign-owned and domestic banks): 1) loan interest rates; 2) expensiveness of funding sources; 3) reputation; 4) risk management. The main advantage of domestic banks is their better knowledge of customers and closer bank-customer relations in Estonia. The results fit with the main theory of internationalisation of banks. Foreign-owned and domestic banks have somewhat different target client groups and fields of activities in the Estonian banking market.

(3) Foreign banks' entry has improved service quality and innovation in the Estonian banking sector. The biggest Estonian banks (the Hansapank and the Union Bank of Estonia), that both have a large share of foreign capital, have excelled for their highly-developed Internet banking services. Improved bank risk management can also be considered as a positive effect of foreign banks' activities. Foreign capital has made Estonian banks more reliable and borrowing from international markets has become less expensive for Estonian banks and also for their customers.

The future of banking in the globalising world depends on the quality of bank services and customers' satisfaction with products and services offered by the banks. The study of the clients' needs, demands, bank choice characteristics, satisfaction with services, etc. is an important precondition for elaboration of an efficient long-term customer-oriented strategy in retail banks. Attracting new clients, maintaining existing clients, and overall enhancing of bank-customer relationships are the key factors for using the market potential. The sample survey among retail customers of Estonian banks was carried out during 2001 for studying mentioned issues. Some more important conclusions from the study are as follows.

(1) Credibility/trustworthiness of the bank dominated among various criteria for choosing the bank servicing the retail customer. Other more relevant criteria for choosing the bank were: availability of electronic bank services, suitable location of the bank office, range of bank services and products, and quality of bank services. Quite surprisingly, service and operations time, price of bank services, availability of credits and other factors were not highly valued by respondents as criteria for choosing the bank.

(2) About three-fourths of private clients prefer to use ATM services and also three-fourths of SME clients Internet bank services, i.e. Estonian banks and their retail customers are quite innovative. Contacts with the bank office are frequent, especially of those customers who use ATM, phone and/or Internet bank services. The overwhelming majority spent on an average less than ten minutes in bank offices for waiting services.

(3) Individual approach to a client received the highest quality grades among various bank activity indicators. But retail customers were not satisfied with the level of interest rates and/or fees and charges – this may be a sign of the impact of low competition in Estonian domestic banking market. Courtesy and nice service was more highly valued among different indicators of bank service comfort and professionalism. The banks' market share in the domestic market and its image received the highest quality grades among the bank's market position and safety indicators.

(4) Retail customers were in general satisfied with information received from the bank, especially with written and verbal (mouth-to-mouth communication) information. Surprisingly, a large share of retail customers did not answer the questions about the availability and/or quality of financial statements and other reports. In general, retail customers (especially private respondents) were not much interested in the servicing bank's performance.

(5) Of those who answered the respective question, 35.4% private clients (45.9% of all respondents) and 64.3 of SME clients (66.0% of the respondents) were of the opinion that bank-customer relationships create value to both sides of the relationship. About every fifth respondent was of the opinion that relationships create value only to the servicing bank. Two more important hindrances harming the development of bank-customer relationships were queues in servicing and unsuitable business hours to the customers.

Banks should make a commitment to improve the quality of bank services because the quality has, on the one side, a direct bearing on the bank's performance and future growth, and on the other side, an impact on retaining current customers and attracting new ones. Improved services performance leads to increasing customer satisfaction and their retention. In combination with an increase in transparency (range and quality of information) it means improved participation in the value creation process.

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APPENDIX 1.

Criteria for Choosing the Bank

Criterion	**Individual Clients**					**SME Clients**					Total No.	Total%
	1st	2nd	3rd	Total	%	1st	2nd	3rd	Total	%		
Credibility of the bank	373	45	71	489	29.6	135	18	6	159	24.9	648	28.3
Availability of electronic services	13	82	48	143	8.7	20	38	35	93	14.5	236	10.3
Suitable location of the bank	54	88	22	164	9.9	15	35	9	59	9.2	223	9.7
Range of bank services	25	80	58	163	9.9	2	29	18	53	8.3	216	9.4
Quality of bank services	13	45	57	115	7.0	6	20	28	54	8.4	169	7.4
Service culture	9	32	76	117	7.1	4	9	22	35	5.5	152	6.6
Availability of loans	18	39	34	91	5.5	13	22	22	57	8.9	148	6.5
Price of banking services	21	46	53	120	7.3	6	9	8	23	3.6	143	6.3
Settlement operations time	8	17	26	51	3.1	5	7	15	27	4.2	78	3.4
Bank staff competence	5	24	17	46	2.8	1	10	14	25	3.9	71	3.1
Technological development of the bank	4	11	29	44	2.6	-	4	9	13	2.0	57	2.5
Simplicity of procedures	5	12	26	43	2.6	1	3	4	8	1.3	51	2.2
Car parking possibilities	2	8	19	29	1.7	-	3	10	13	2.0	42	1.8
Total	554	550	547	1651	100.0	217	214	209	640	100.0	2291	100.0