Lost diversity: Business lending in the centralised banking system of the UK

FRANZ FLÖGEL AND STEFAN GÄRTNER*

Franz Flögel, Institut Arbeit und Technik der Westfälischen Hochschule Gelsenkirchen Bocholt Recklinghausen (IAT), e-mail: floegel@iat.eu
Stefan Gärtner, Institut Arbeit und Technik der Westfälischen Hochschule Gelsenkirchen Bocholt Recklinghausen (IAT), e-mail: gaertner@iat.eu

Summary: Based on the classification of decentralised and centralised banking, this paper investigates diversity in business lending in the UK. Using expert interviews and desk research, the distance between lenders and SMEs in credit decisions for the identified types of lenders is classified. Due to the early disappearance of regional and dual bottom-line banks, today hardly any short-distance lender remains in the UK. Three different approaches have been identified to re-introduce decentralised lending to the island, though running regional banks is challenging in times of low interest rates and tightened bank regulation.

Zusammenfassung: Aufbauend auf der Klassifikation vom dezentralen und zentralen Banking untersucht dieser Beitrag die Diversität in der Unternehmenskreditvergabe des Vereinigten Königreichs. Anhand von Experteninterviews und Literaturrecherche wurde die Distanz in den Kreditvergabeentscheidungen an KMU für verschiedene Typen von Banken und anderen Finanzintermediären klassifiziert. Aufgrund des frühen Ausscheidens von regionalen und nicht rein profitorientierten Banken (Sparkassen und Genossenschaftsbanken) existieren heute kaum noch Finanzintermediäre, die Kredite dezentral, das heißt in räumlicher Nähe zum KMU-Kunden, vergeben. Drei unterschiedliche Ansätze wurden identifiziert, wie dezentrale Kreditvergabe auf der Insel wiedereingeführt werden kann. Aufgrund der Niedrigzinsphase und der verschärften Bankenregulierung ist es jedoch gegenwärtig herausfordernd, regionale Banken wirtschaftlich zu betreiben.

→ JEL classification: D43, E21, G01, G21, G38, R12
→ Keywords: Diversity in banking, SME finance in the UK, decentralised versus centralised banking, functional and operational distance

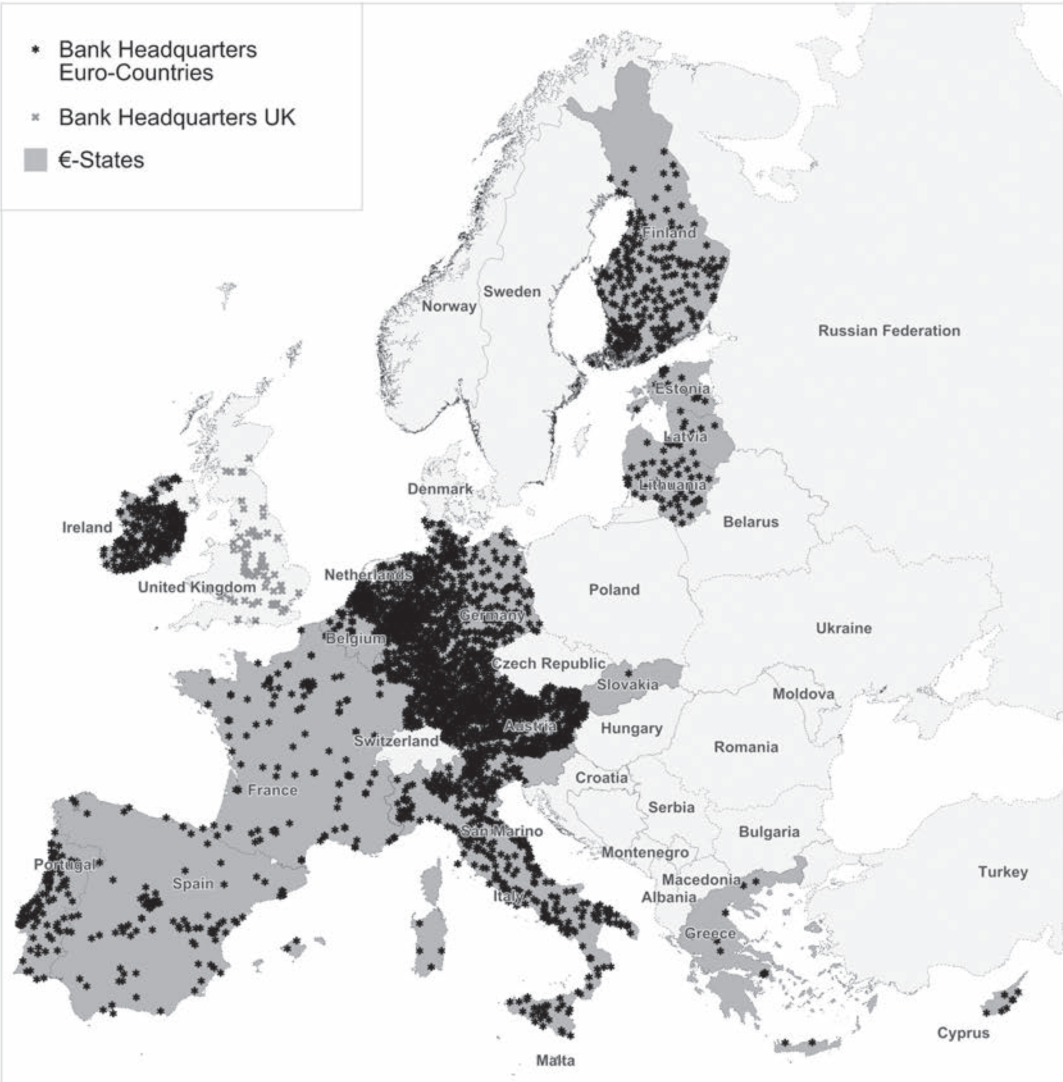
* We would like to acknowledge the financial support of the Hans Böckler Foundation and thank all the participants in the empirical study, as well as the advisory board of the project for their valuable comments on an earlier version of this article. Professor Jane Pollard kindly hosted our research stay in the UK making the empirical work for this paper possible.

1 Introduction

Despite the initiatives to create a common European financial market, the banking systems of the European States vary, especially with respect to the spatial concentration of banks and other financial institutions (Klagge and Martin 2005, Gärtner and Flögel 2014, Wójcik and MacDonald-Korth 2015). Map 1 shows substantial differences in the spatial allocation of bank headquarters for the

Map 1

Bank headquarters locations in the euro countries in 2014 and the UK in 2017



Authors' map. Sources: ECB (2014), Bank of England (2017).

euro countries in 2014 and the UK in 2017. Austria, Germany, Ireland, Italy and the Netherlands have a rather decentralised allocation of headquarters. In contrast, France, Spain, Belgium and the UK are seen to be rather centralised in terms of bank headquarters. The existence or non-existence of regional banks tends to account for the visual difference between the European states that is apparent in Map 1. This paper contributes to our understanding of diversity in banking in Europe by analysing business lending in the UK. As one of the most centralised countries in terms of bank headquarters (with London as the leading financial centre), the UK presents a revealing contrast to the decentralised German banking system with its more than 1300 regional savings and cooperative banks (Gärtner 2009, Gärtner and Flögel 2013). Combining interview results with a literature review, the state of centralisation in the UK's business lending, i.e. the distance of lending for different types of banks and other lenders, is explored. Section 2 introduces the theory on diversity in business lending from a spatial perspective and outlines our methods. Section 3 gives an overview of the structure and development of the UK's banking system and traces the early disappearance of regional banks. Section 4 presents our heuristic classification of distance in business lending for different types of banks and other financial providers. Instead of a conclusion, Section 5 describes different attempts to (re)establish regional banks on the island.

2 Diversity in banking from a spatial perspective: theory and methods

Because of the self-reinforcing tendencies of homogeneous and highly connected financial systems, several scholars call for diverse financial systems in the light of the global financial crisis of 2008 (Ayadi et al. 2009 2010, Schmidt 2009, Haldane and May 2011). Diversity tends to reduce the contagiousness of financial crises and thus increase the stability of the overall financial system. Ayadi et al. (2009, 2010) argue that different models of banks have advantages and disadvantages, whereas there "is a systemic advantage in having a mixed system of models" (Ayadi et al. 2009: ii). Traditionally, structural difference in financial systems is approached by distinguishing between bank- and market-based systems (Allen and Gale 2001, Demirgüc-Kunt and Levine 2001). However, misgivings about the suitability of this classification have emerged since the financial crisis (Beyer 2009, Hardie et al. 2013). There is a whole range of alternative taxonomies and concepts—like ownership structure (private vs. government/cooperative-owned) and governance (traditional versus market-based banking)—for distinguishing between financial systems (for an overview, see Gärtner 2013, Flögel, 2019). Whilst appreciating these approaches, we see one additional distinctive feature of financial and banking systems: their spatial arrangements, relating to the importance of decentralised banking compared to centralised banking.

As early as 1995, Klagge argued in favour of a classification of banking systems into decentralised and centralised systems (Klagge 1995), so our approach picks up an ongoing debate (Verdier 2002, Klagge and Martin 2005, Gärtner 2011, Gärtner and Flögel 2013 and 2017, Klagge et al. 2017). In our opinion, there are two important and related characteristics that define decentralised versus centralised banking and banking systems (Gärtner and Flögel 2014):

The first is the geographical market orientation of banks' business activities. Do banks operate on a regional level, e. g. by collecting money from regional savers and handing it to regional borrowers, or do they rely on business at the supraregional scale, whether by borrowing and investing in national or global capital markets or by operating supraregional branch systems (regional versus supraregional banks)? The theoretical foundations here lie in polarisation and post-Keynesian

DOI https://doi.org/10.3790/vjh.87.4.67

theories on regional banking markets and interregional flows of capital (Chick and Dow 1988, Dow and Rodríguez-Fuentes 1997, Klagge and Martin 2005, Gärtner 2009). In particular, the ability of regional banks to slow capital drains from the periphery to core regions, which is heatedly debated, suggests that regional banking may make a difference when it comes to access to finance in peripheral regions and, hence, stimulate more balanced regional development (Gärtner 2009).

The second characteristic is the place of decision-making. Do banks decide in proximity to their clients (whether to grant a loan) or are decisions made from a long distance, for example in remote headquarters (short vs. long distance)? Decentralised banking capitalises on proximity between creditors and borrowers in order to conduct investment or lending decisions. As will be explained in detail in Section 4, lending at proximity to borrowers is associated with enhanced information and therefore better access to finance, especially for small and medium-sized enterprises (SMEs). In contrast, centralised systems capitalise on proximity between the financial institutions themselves in order to facilitate financial innovation and organise and control investment decisions indirectly. Consequently, financial institutions need geographical proximity to other banks, rating agencies, lawyers, regulatory bodies and other actors, which explains the rise of financial centres (Taylor et al. 2003, Grote 2004, König et al. 2007, Schamp 2009, Gärtner 2013).

Our motivation for the research in the UK was to apply the concept of decentralised and centralised banking—developed from a German perspective (Gärtner 2009, Gärtner and Flögel 2013)—in a putatively much centralised country. To this end, we conducted a research visit to the Centre for Urban and Regional Development Studies at Newcastle University from August to September 2016, where 12 expert interviews with banking practitioners and researchers in England and Scotland and desk research were conducted.

3 Business lending in the UK

In line with recent publications (Appleyard 2013, Cable 2014, Lee and Brown 2017, Klagge et al. 2017), the history of banking in the UK is the history of the concentration and centralisation of banks and complaints about poor access to credit, especially for SMEs and enterprises in peripheral regions. In the late 1990s, the UK Treasury commissioned a report (the highly regarded Cruickshank report) that identified a lack of access to finance, above all for SMEs (Cruickshank 2000). There were also entire districts and regions lacking access to financial services (Martin

Table 1

Number of banks and branches in Germany and the UK

	Number of banks	Banks per 100,000 inhabitants	Number of branches	Branches per 100,000 inhabitants
Germany (2013)	1,827	2.25	36,287	44.79
UK (2017)	364	0.56	8,500 (the 12 largest banks)	13.28

Authors' table.
Sources: Bank of England 2017, Deutsche Bundesbank 2014, Statista 2017, ECB 2016.

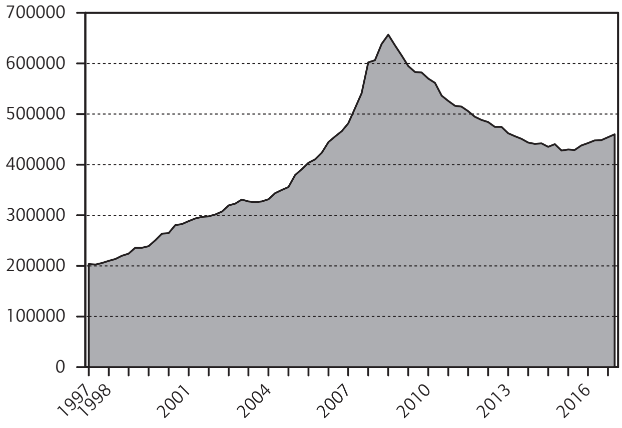
1999: 20 et seqq.). Compared to Germany, one key specific feature of the UK is the almost non-existence of any types of banks other than (large) private commercial banks. Regional dual bottom-line institutions with non-private ownership (Schmidt 2009), i. e. savings and cooperative banks, have almost disappeared and the four largest banks (conducting retail business in the UK) held a market share of 90 percent of business loan volume in 2013. Table 1 displays a comparison of the number of banks and branches between Germany and the UK. Germany has 2.25 banks per 100,000 inhabitants. The high number is explained by the existence of cica 1,300 regional cooperative and savings banks. The UK has 0.56 banks per 100,000 inhabitants. The fact that London is the leading financial centre in the world with many international banks indicates that even fewer domestically focused banks per 100,000 inhabitants actually operate in the UK. Accordingly, a simple comparison of the number of banks tends to support the assertion that the banking market in the UK is highly concentrated (Cruickshank 2000, Cable 2014). Nevertheless, new banks and bank-like organisations have developed below the surface of the dominant mainstream banks. In the following different types of SME lenders are discussed.

3.1 Large banks (the big five)

Cable (2014) and several interview partners (RSA, 16 August, interview; RFP, 12 September, interview)[1] see the long period of declining credit since the financial crisis of 2008 as evidence of the insufficiency of the UK banking system. Figure 1 reports the credit volume of monetary financial institutions to the non-financial industry in the UK between 1997 and 2017. A continuous decline in credit volume between 2008 (the lending peak) and 2015 becomes visible, meaning that banks reduced credit volume by 227,558 million pounds (–35 percent). Since 2015, credit volumes have risen again. Despite the fact that the lending figures support criticism of the UK

Figure 1

Credit to the non-financial industries in millions of pounds



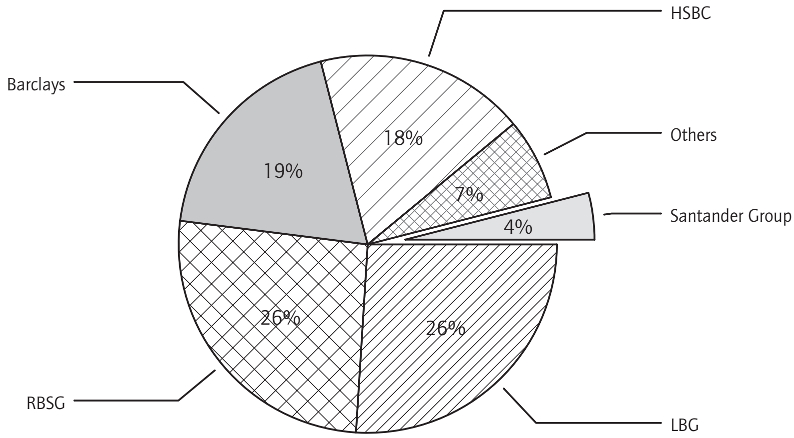
Authors' figure.
Source: Bank of England 2017.

1 See list of interview partners on page 16.

DOI https://doi.org/10.3790/vjh.87.4.67

Figure 2

Volume shares of business loans in England and Wales[1]



1 In Scotland and partly in Northern Ireland, other banks have a dominant position in SME lending, so the concentration is comparable to England and Wales (Löher and Schröder 2018).
Source: British Business Bank 2016.

banking system, one must also recognise the strong increase in lending, especially on the eve of the financial crisis. Against this background, Hardie and Maxfield (2013) argue that the market-based financial system has changed in the UK, as lending has become more and more important for corporate finance. However, lending banks do not act like traditional (patient) banks, but conduct market-based banking, meaning that they depend heavily on the financial market in their ability and willingness to lend. Accordingly, Hardie et al. (2013) expected substantial cyclicality of market-based lending, with excessive lending in good times and strong credit cuts in bad times (see also post-Keynesian theories on cyclicality, Chick and Dow 1988, Minsky 1992), as seen in the UK in the financial crisis.

Gärtner and Flögel (2015) outline how regional savings and cooperative banks slowed down credit cuts in Germany after the financial crisis as they increased lending, whereas the four big banks cut lending, as did the *Landesbanken*. As the Bank of England does not provide information on lending by types of banks, one cannot say for sure that the UK's large commercial banks account for the decline in lending during the financial crisis. However, their dominant position in business lending suggests this conclusion. In 2013, four large international banks dominated business lending in the UK (Figure 2). The Royal Bank of Scotland Group (RBSG) and the Lloyds Banking Group (LBG) each had a market share of 26 percent in terms of loan volume, followed by Barclays (19 percent) and HSBC (18 percent). The LBG includes the former Trustee Savings Banks (TSBs), which merged with Lloyds Bank in 1995. The RBSG has been majority-owned by the state since their bailout in the financial crisis (Greenham and Prieg, 2015). Santander UK, the UK subsidiary of the Spanish Santander Group, is in fifth place. Santander has a considerable branch network in the UK following the acquisition of several UK banks in 2010.

3.2 Challenger banks

In order to improve business lending, the government and related organisations put their confidence in new competitors, the so-called challenger banks (Cable 2014, British Business Bank 2016). "Challenger banks include new entrants to the market, spin-offs or disinvestments from large banks and existing smaller banks seeking to grow" (British Business Bank 2016: 77). Whereas challenger banks operate in several business areas, a number of banks like Aldermore and Handelsbanken focus on SMEs in particular. These new challenger banks, particularly the Swedish Handelsbanken, have a reputation for being more supportive of SMEs and are keener to maintain *Hausbank* relationships with clients compared to the big five commercial banks (RSA, 16 August, interview). Their market share in business lending is still small and accounted for approximately 20 percent of all SME lending in 2016 (British Business Bank 2017: 81). The British Business Bank tempered expectations for the forecasted rapid growth of challenger banks (British Business Bank 2017: 81). Following the EU referendum, one challenger bank has revised its plan to grow because of the resulting economic uncertainties.

3.3 Regional (savings) banks

To trace the disappearance of regional banks, i. e. the dual bottom-line banking pillars, one has to go back in time. Like in Germany and Spain, the banking system of the UK used to have a savings banks pillar. In the UK and Germany alike, aiding the poor by encouraging savings for bad times was the mission of the first savings banks established in the 19th century (Brämer et al. 2010, WSBI 2017). Savings banks in the UK were TSBs (Trustee Savings Banks), meaning that voluntary trustees, usually upstanding members of the local community, such as aristocrats and clerics, oversaw the running of the banks (WSBI 2017). Encouraged by supportive government regulations, savings banks quickly spread in the UK and their number rose to 645 by 1861. At the same time, the Savings Banks Acts restricted business activities to the safe and central investment of the clients' deposits, especially in government bonds (Batiz-Lazo and Maixe-Altes 2006). The 1976 Trustee Savings Banks Act then allowed savings banks to offer the same services as commercial banks, including lending, whereupon personal lending was introduced in 1977. At the same time, the Act demanded a reduction in the number of banks in order to enhance their competitiveness. The 16 remaining savings banks merged into one unit in 1983 in preparation for flotation on the London Stock Exchange, which took place in 1986. Only the Airdrie Savings Bank refused unification and remained an independent and local TSB until it had to shut down business in 2017 because it could not survive tightened bank regulation in the low interest rate environment as a small bank without a supportive banking association. Similarly, the natural building and loan societies in the UK petered out due to the liberalisation of their business activities, which led to M&A and demutualisation. Not a single demutualised building society survived until 2014 and most remaining mutual building societies were amalgamated (Coble 2014). Nonetheless, the mutual lenders held over 20 percent of market shares in outstanding mortgages in 2017 (BSA 2017), though they were much less significant in business lending (BBA, 17 August, interview).

As in other European countries, e. g. Spain (Gärtner and Fernandez 2018), the UK's TSBs were only granted permission to lend to clients with liberalisation in the 1970s. In contrast, savings banks in Germany were founded with the mandate to support small local firms with loans from the beginning. Hence, lending to small firms and private individuals has always been a business segment of Germany's savings banks. Here, the large commercial banks were latecomers as they targeted small private and business clients only after the Second World War (Gall et al. 1995, His-

DOI https://doi.org/10.3790/vjh.87.4.67

torische Gesellschaft der Deutschen Bank e. V. 2009). Lending at a short distance to clients is one advantage of regional banks. Regional savings banks in the UK were only able to make use of this advantage when the permission to lend was granted in 1976.

3.4 Credit unions and responsible finance providers

Credit unions are community-based mutual societies "run as financial co-operatives" (Muqtadir 2013: 1). Today's credit unions spread to Great Britain in the mid-1960s, when credit unions from Ireland were copied in Scotland (academic expert, 7 September, interview). Like 18th-century mutual societies, credit unions were established to help their members by tackling financial exclusion. Traditionally, they are founded by members with some common bond, such as an ethnic group in a community, and volunteers conduct the business (academic expert, 7 September, interview). In 2013, there were 390 credit unions in the UK, with 1.04 million members and total assets of 957 million pounds (Muqtadir 2013). Although most credit unions are rather small and often still managed by volunteers, a trend of upscaling has become visible, especially as unions merge into larger entities. This is in line with the interests of the UK government, which is trying to support and professionalise credit unions in order to reduce financial exclusion (BBC News 2008). New regulations have relaxed the common bond requirements, enabling credit unions to target a broader customer or member base and allow lending to business and social enterprises (in 2012).

Another group of small-scale lenders are *responsible finance providers* (RFPs), who directly address micro-businesses and small businesses with their services. Previously community development finance institutions (referring to the US role model), RFPs were renamed in 2015 in order to respect their extended focus (RFA, 1 September, telephone interview). Unlike credit unions, RFPs do not take deposits from clients, but rely on government schemes (from local authorities to the EU level) and private money (including commercial bank loans) to refinance their loan books. In 2016, around 60 RFPs were members of the responsible finance association (RFA). In addition to the business lenders, a mix of personal and social lenders also belong to the association. According to survey data of the RFA, in 2016 the responsible finance sector provided credits of 242 million pounds, of which 103 million pounds went to 9,600 small businesses (RFA 2017). This represents a 5 million pounds increase in business lending compared to 2015 (RFA 2016), though the RFA market share in business lending only accounts for 0.023 percent in terms of total bank and non-bank lending (see Figure 1).

4 Distance in lending decision-making

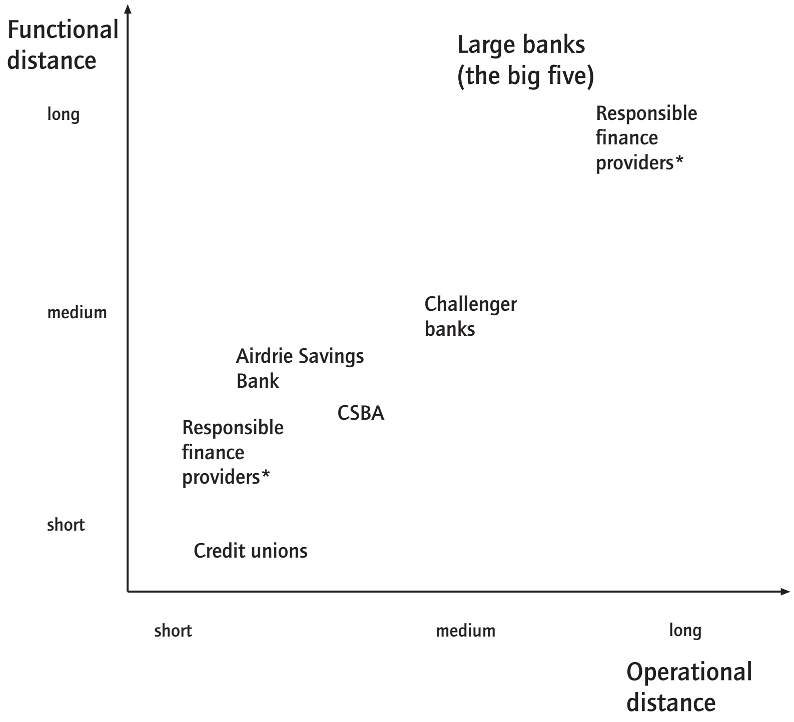
Distance matters for lending decisions as banks face difficulties in transmitting so-called soft information across distances (Pollard 2003, Klagge and Martin 2005, Agarwal and Hauswald 2007, DeYoung et al. 2008, Alessandrini et al. 2009, 2010). For Stein (2002, 1982), "soft information cannot be directly verified by anyone other than the agent who produces it", so its transmission within hierarchical structures or across distances (such as via ICTs) causes difficulties. In contrast, the transmission of so-called hard information is not subject to any restrictions. Actors unambiguously verify hard information such as financial statements, payment history and account information. According to Alessandrini et al. (2009), the distance between two actor-pairs matters for bank-based SME lending: firstly, between SME customers and their customer advisors (called operational distance) and, secondly, between customer advisors and supervisors, e.g. head offices (called functional distance). As Flögel (2018) argues, the incorporation of distance in the Stein (2002) model implies the following relations. Whereas short operational distance eases customer advisors' ability to access soft information, short functional distance is associated with enhanced bank-internal use of soft information, which encourages local staff to collect soft information in the first place.

Several studies indicate worse access to finance for SMEs in peripheral areas of the UK (Lee and Brown 2017). Applying Alessandrini et al.'s (2009) approach, Zhao and Jones-Evans (2017) analyse the influence of distance on financial constraints. The authors identify functional distance (measured as distance between branch and headquarters) as one of the reasons for the higher financial constraints found in the periphery, whereas operational distance (number of branches) tends to be unrelated to SMEs' access to credit. Interestingly, the study also identifies the "abnormality of London", as firms in London face 7.6 percent higher loan constraints than in the East of England. With a similar study design, Degryse et al. (2015) show that it is only since the financial crisis that functional distance has led to an increase in the financial constraints of SMEs, whereas this variable was insignificant for the period from 2004 to 2007. Overall, the studies suggest uneven spatial access to finance, i.e. a firm's geographical location has an impact on its ability to gain access to bank credit. Remarkably, however, there is not only less access to finance in peripheral areas, but also in London (where most banks have their headquarters), which suggests that other effects apart from the metric distance to branches and headquarters influence SMEs' access to bank debt. A purely metric understanding of distance explains information transmission insufficiently, as short geographical distance is neither a necessary nor a sufficient condition for facilitating knowledge exchange between actors (Boschma 2005, Torre and Rallet 2005, Bathelt and Henn 2014). Instead, other dimensions of closeness such as social and organisational embeddedness and cognitive affinity must be considered to fully understand the effect of distance in banking (Uzzi and Lancaster 2003, Klagge and Martin 2005, Alessandrini et al. 2009, 2010). Nonetheless, short geographical distance eases the transmission of soft information because it facilitates face-to-face interaction and supports other forms of closeness like social embeddedness. This is one reason why several authors argue that regional banks operating at short geographical distances should conduct superior screening and monitoring of informationally opaque SMEs (Klagge 1995, Gärtner 2009, Alessandrini et al. 2010). We now turn to the geographical and non-geographical aspects of distance in the credit decision-making of different types of banks and other financial providers in the UK.

Figure 3 displays the functional and operational distance of the lenders studied. The position of these organisations on the x- and y-axis are estimated heuristically. The font size of their names indicates the lending volume to business to give an impression of the comparative importance of the lenders (see Section 3 for the discussion of market shares in business lending). The positions in the axis are not calculated but are classified in short, medium and long distance, based on our qualitative empirical work.

Figure 3

A heuristic classification of distance in SME finance of banks and other financial providers of the UK (font size illustrates the volume of business loans)



*Depending on the scheme, responsible finance providers approve loans at rather short or rather long functional and operational distance.
Source: Authors' figure.

4.1 Large banks (the big five)

The interview partners outlined a major change in business lending by the large commercial banks approximately in the mid-1990s. The old system was characterised by close relationships between clients and local managers (customer advisors) in the branches. The local customer advisors enjoyed considerable lending autonomy and approved credit on the basis of trust and local knowledge. In contrast, today local customer advisors sell loans and other services on the basis of predefined criteria, such as credit scores, and have very limited discretion (RSA, 16 August, interview; CSBA, 12 September, interview; academic expert, 18 August, interview; BBA, 17 August, interview; RFA, 1 September, telephone interview; academic expert, 13 September, interview). This lack of local lending authority among the large commercial banks is criticised because central lending limits fail to take specific local circumstances into consideration, for example (RSA, 16 August, interview), and make it harder to take local and soft information into account. On the other hand, the British Bankers' Association (BBA) also points out that the old system was rather conservative and prone to error, arbitrariness and discrimination (BBA, 17 August, interview). The general curtailing of lending authority from local branches and their managers is well documented (Leyshon and Thrift, 1999, Leyshon and Pollard 2000, Mason 2010, Vik 2016). The following details concerning operational and functional distance have been observed[2]:

Starting with *operational distance*, the long term and continuing trend of branch closures among the large banks is well documented in the UK (French et al. 2008, Prestridge 2017). Altogether, the big five banks still had approximately 6,600 branches in 2017 (The Daily Telegraph 2017), although precise figures are not available. Turning to non-geographical aspects of operational distance, according to the interviewed experts, larger SME-clients (with a turnover of over 1 or 2 million pounds) tend to have a designated local customer advisor, whilst smaller SMEs have no fixed personal advisor and rely instead on alternative service channels like online applications and call centres (BBA, 17 August, interview; Löher and Schröder (2018) report similar statements from interviews). In reaction to the new challenger banks, especially Handelsbanken, the large banks have put more effort into personal customer advisors. As such, "what is often said is that the big four banks have now decided that they want to copy Handelsbanken" (RSA, 16 August, interview). Accordingly, operational distance in terms of embeddedness depends on the size of the SME, as only larger firms have designated customer advisors.

Concerning *functional distance,* one expert from an NGO (the Royal Society of the Arts [RSA]), voiced his frustration with centralisation trends in the UK:

> *"All regional anything in this country is being merged to bigger and bigger institutions. And I think there is still this general bias that it is dangerous to give too much power to have local standalone institutions"* (RSA, 16 August, interview).

The interview partners consistently described the authority of the large banks' local customer advisors, meaning local decision-making, as limited (RSA, 16 August, interview; CSBA, 12 September, interview; academic expert, 18 August, interview; BBA, 17 August, interview; RFP, 12 September, interview). Banks set lending criteria centrally, which can hinder appropriate lending from the perspective of local circumstances:

> *"The credit criteria have been set globally. It doesn't take into account the circumstances* [...] *so, that's one of the dangers that this setting of a probably quite sensible analysis of this global or national level has: it doesn't take into account any of those [local] circumstances.* [...] *The amount of the loan which local managers can take a decision over is now small,* [...]*"* (RSA, 16 August, interview).

Due to the limited authority of local advisors, their job is a "no-brainer", since they may come to a lending decision based on the hard and soft information they gather about a client but cannot use the information because the headquarters, or central lending criteria or credit scores, determine lending. This is why the old generation of customer advisors have left the large banks and the new generation is trained to sell products. Therefore, the interview partner from the RSA is sceptical

2 Interviews with employees from a large bank were not possible. Thus, the following report relies on statements of other interviewed experts (e.g. regional bankers, banking associations and academic experts).

DOI https://doi.org/10.3790/vjh.87.4.67

about possible attempts to delegate more authority to local customer advisors, as he fears the new generation of customer advisors lacks the ability of screening on the basis of soft information.

Studies on discretion in lending decisions depict a more nuanced picture of the large banks in the UK (Wilson et al. 2007, Deakins et al. 2010, Wilson, 2015). According to these studies, "gut feeling" and personal judgment by the customer advisors still matter, also because the advisors have the right to decline credit directly at the client's first request. Deakins et al. (2010) report that Scottish customer advisors possess the most discretion in granting medium-sized loans because banks decide on small credits (ca. 50,000 pounds) using standardised credit scores, and large loans in the headquarters, so the customer advisors have most autonomy in decisions about medium-sized loans. Nevertheless, Löher and Schröder (2018) report that banks have increased centralisation and standardisation in SME lending in response to new banking regulations enacted by the UK government (aimed at increasing competition in SME lending) since the financial crisis. The studies of Wilson (2015) and Deakins et al. (2010) do not consider these new changes.

Overall, the studies and interview results indicate that large commercial banks in the UK tend to operate from a medium operational distance and long functional distance (Figure 3). However, functional distance differs between firms depending on the characteristics of the firms applying and the credit amount, a result we have also found for large banks and to a lesser extent for savings banks in Germany (Flögel 2018, Flögel and Gärtner 2018). Whereas the functional distance of the UK's large commercial banks might be comparable with that of large banks in Germany, operational distance tends to be shorter in non-geographical terms in Germany, as rather small SMEs also have personal customer relationship managers there (Flögel and Gärtner 2018, Flögel 2018).

4.2 Challenger banks and Airdrie Savings Bank

The interviewees mentioned challenger banks as an alternative to large banks for financing SMEs (RSA, 16 August, interview; BBA, 17 August, interview; Airdrie Savings Bank, 7 September, interview; CSBA, 12 September, interview) because they tend to operate with a more decentralised (short-distance) business model. Short distances in lending are partly explained by the smaller size of the newer challenger banks. Furthermore, they tend to strive for *Hausbank* relationships with SMEs. In particular, the UK subsidiary of the Swedish Handelsbanken was mentioned as a good example of a decentralised bank (RSA, 16 August, interview; BBA, 17 August, interview), even though it is "only" a branch of a foreign bank.

Handelsbanken ran 207 branches in the UK and lent 11.4 billion pounds to firms in 2017 (Martin 2017). According to Kroner's (2009) portrayal of Handelsbanken, the success of the business model lies in its decentralised organisation, together with its prudence or risk aversion and slow-growth strategy. "'The branch is the bank' is the summary of Handelsbanken's strategy" (Kroner 2009). The branch managers wield substantial decision-making authority, not only with respect to lending, but also concerning pricing, marketing, customer segmentation and back-office work. Interestingly, Handelsbanken conducts regional market segmentation (every branch has its designated market area and lending outside the area is not permitted) and even supports regional savings-investment cycles (branches are rewarded for equalising their (virtual) balance sheet).

Turning to functional distance, Handelsbanken grants local branch managers considerable authority (local staff members always have the initial right to reject regardless of the size of the loan application), but closely monitors performance. According to Kroner (2009), this is motivated by

DOI https://doi.org/10.3790/vjh.87.4.67

the consideration that local branches possess the most information on clients and local markets, which enhances lending decisions. Non-performing loans are dealt with in the branches (and not processed in a separate department like in most large banks), so customer advisors remain responsible for their lending decisions. Of course, local branches do not wield unlimited authority. Different hierarchical levels become involved in the lending decision depending on the size of the loan and on the experience of the branch manager. The hierarchical level following the branch is the so-called regional bank. All branches belong to one of the two regional banks in the UK. The regional bank level monitors and coaches its branches and their managers. About 3–4 percent of Handelsbanken's loan applications need approval at the CEO level in Stockholm. This is a low percentage in the industry according to Kroner (2009). Overall, Handelsbanken can be considered a rather decentralised bank. Nonetheless, we classified Handelsbanken and all challenger banks to show a medium operational and functional distance (Figure 3) as they tend to have longer operational and functional distances than the "real" regional savings and cooperative banks in Germany. Moreover, it should be noted that the ability of Handelsbanken and the other challenger banks to improve SME finance in the UK is somewhat limited, because they tend to target rather larger and wealthier SMEs that are not as risky. These clients are more profitable than the mass market of medium-sized enterprises and especially small and micro businesses (CSBA, 12 September, interview; RFA, 1 September, telephone interview). As argued by Flögel (2018), smaller SMEs and firms in financial distress tend to gain the most from lending at short distances, as in these cases soft information can really make a difference in lending decisions.

Other than Handelsbanken, *Airdrie Savings Bank* targeted smaller business clients before it closed business in 2017. The savings bank had three branches (four branches had already been closed) and around 70 employees in 2016. It operated approximately 30,000 accounts and 1,800 business loans. The TSB did not restrict its market area, but had business clients in central Scotland, though most clients were located near the town of Airdrie. A team of 12 credit officers were in charge of business lending and clients had no fixed credit officer. However, the bank was so small that all clients usually knew all credit officers and vice versa. Likewise, there was no division between the front and back offices: the credit officer team served the clients and conducted the back-office work. The credit officers had limited lending authority. Instead, a credit sanctioning committee (in which the CEOs and others participated) decided on larger credit applications. To ensure timely lending decisions, the sanctioning committee met ad-hoc on demand and credit officers discussed lending decisions in advance with the CEO, because it was a small bank with close relationships between staff and CEO. A rating system was not applied. Rather, the bank conducted risk analysis by hand (for example, risk classification was conducted by the degree of collateralisation of loans). Due to the small size of Airdrie Savings Bank, lending was restricted to smaller credit volumes (less than 2 or 3 million pounds). Surprisingly, the bank also applied rather pronounced sector restrictions. Overall, Airdrie Savings Bank is classified as a short-distance bank in terms of functional and operational distance, especially because of its small size and the resulting short (functional) distance between credit officers and decision makers.

4.3 Non-bank lenders

"*Credit unions* were traditionally just savings and loans. So you joined and became a member and then, if you wanted a loan you would have to save traditionally for six weeks or so, and then you could get a loan double to what was in your savings" (academic expert, 7 September, interview). Membership in a credit union was a long-term relationship and becoming a member was a restricted and long-lasting process. Credit unions replace pawnbrokers, payday lenders and com-

DOI https://doi.org/10.3790/vjh.87.4.67

mercial banks by serving their lower income members and are generally more client-oriented lenders. In this respect, the interest rates of credit unions are rather high, ranging up to 3 percent per month, as they only gain money from short-term lending. Today, some credit unions tend to develop the lending approach of a more “ordinary bank”. Overall, the traditional lending model of credit unions tends to be local and community-based, with very short operational and functional distances. Nevertheless, no information about the new segment of business loans was gained in the interviews. Here credit unions still tend to be very new lenders.

For the *RFP* interviewed, the geographical reach in lending depends on the scheme; some schemes have a local focus (e.g. the business growth loan scheme,) whereas under other schemes the RFP lend across the whole of England (e.g. the start-up loan scheme) (RFP, 12 September, interview). The business growth loan scheme targets existing businesses that need capital to invest in growth. Lending of up to 150,000 pounds is permitted. Four business advisors from the RFP conduct the screening and monitoring. They receive the initial contact, usually by e-mail or telephone, and help the business owners to put together the application. The business advisors check the applications and if they seem promising, they invite the applicants to a personal meeting. If positively impressed, advisors forward the application for approval. The CEO of the RFP approves loans of up to 10,000 pounds. All other requests go to an external committee, meaning a local panel of stakeholders including local bankers and business organisations where the applicants submit their proposals in person. According to the interviewed CEO, the committee meetings work somewhat like *Dragons' Den* (the British reality TV-show where start-ups bid for VC investment), since the business owners have to convince the committee to grant them the loan (RFP, 12 September, interview). Each business advisor is responsible for his or her credit applications and often also advises the clients after they have received the loan. The RFP gives loans for growing the business only to less risky proposals because it has to carry a significant share of the default risk. Considering the fact that the RFP interviewed approves a large share of loans under the start-up loan scheme (RFP, 12 September, interview) we split the classification of RFPs in Figure 3. Lending under schemes like the business growth loan tends to be short in terms of operational and functional distance, whereas the start-up loan scheme suggests long distance in the lending process organisation because at the end of the day a scoring system decides.

5 Regional banks for the UK?

Overall, the heuristic classification developed in Section 4 illustrates the lack of important short-distance lenders in the UK. Credit unions and RFPs (depending on the scheme) can be considered short-distance lenders. However, in terms of credit volume, they lend much less than 500 million pounds to business in total. Challenger banks seem to lend at shorter distances than the big five commercial banks and have increased lending significantly, especially to SMEs. Still, they tend to target larger and more affluent SMEs. Given these observations, it is not surprising that several organisations are attempting to re-establish regional banks (The Economist 2012, Greenham and Prieg 2015, Community Savings Banks Association 2016). The decentralised German banking system tends to be a role model in this context. Thus, following the example of the German savings and cooperative banking groups, such calls demand dual bottom-line regional banks for the UK that should form a banking group supported by a strong banking association (Greenham and Prieg 2015). Three different ways to (re)create regional banks have been identified.

The New Economic Foundation, Civitas and ResPublica, published a seemingly smart approach that would create a regional and public banking group with a substantial market share in one stroke (Greenham and Prieg 2015). In essence, the proposal calls for the restructuring of the RBSG into a network of local banks with a public service mandate. This proposal is feasible due to the government's majority ownership of the RBSG since its bailout in the financial crisis. The RBSG could be split into 130 local banks in England, which would cooperate in one financial group. Furthermore, the business of the new regional banks should be focused on retail banking and local stakeholders should control each of the local banks (Greenham and Prieg 2015). We interviewed one of the authors of the proposal, who explained that as far as he knows it would not currently work because the RBSG has an outdated ICT system that would hinder segregation of the customer database (RSA, 16 August, interview). Hence, at the time of the interviews in 2016, it seemed unlikely that the proposal would take shape. Moreover, the government had started gradually selling off small pieces of the RBSG.

The second suggestion is to re-create regional banks entirely from scratch with the help of a new association that would provide economies of scale and knowledge in order to enable local people to create their local banks. Two organisations, Local First (http://local-first.org.uk) and the Community Savings Bank Association (CSBA, www.csba.co.uk), are trying to push this idea independently of each another. We interviewed a key person from the CSBA (CSBA, 12 September, interview) and outline the CSBA's idea below.

At the time of the interviews, the CSBA was in the process of creating a "bank in a box", which means a regional bank concept ready for local application. The "bank in a box" includes a bank licence, ICTs, lending process organisation, legal form, market intelligence, etc. (CSBA, 12 September, interview). For the creation of the "bank in a box", the CSBA literally copied Airdrie Savings Bank by using the documents of Airdrie's existing bank licence (around 1,000 pages long) in community savings banks' (CSBs) licensing processes with UK bank supervision. Unlike Airdrie Savings Bank, however, the CSBs should be founded as cooperative banks that are only allowed to conduct business with their members. The cooperative ownership helps to gain the necessary equity capital and entails tax advantages. Following the example of the Handelsbanken lending process organisation, CSBs should grant substantial authority to the local branches. Here, two individuals should be involved in the lending decisions to SMEs: the customer advisor (who is usually the head of the branch because SME clients are under his or her responsibility) and the credit officer, who is also located in the local branch. Credit officers' performance should be compensated in line with the default rates of their credit portfolios. Only very large credit engagements should need approval from high-level supervisors outside the branch. To gain sufficient information about the customers, CSBs should try to build *Hausbank* relationships with clients, which includes keeping their current accounts. Compared to Handelsbanken, CSBs should be more retail-oriented, targeting smaller clients with modern ICTs and simple products. Here, the interview partner also saw an economic advantage over Airdrie Savings Bank, as substantial earnings should come from payment transactions and other retail services in order to reduce dependency on interest surplus (CSBA, 12 September, interview).

A third way to establish local banking in the UK involves the upscaling of credit unions and RFPs. Interestingly, each of these finance providers already has a specific trade association, lobbying in the interest of its members. Here, credit unions may be closer to regional banks as accepting customers' savings makes them less reliant on government money. Learning from the historical experience of the TSBs as well as Spanish savings banks (Gärtner and Fernandez 2018), we would

DOI https://doi.org/10.3790/vjh.87.4.67

advise the introduction (maintenance) of a regional principle, meaning regional market segregation. A regional principle reduces the decline in the number of institutions, limits competition within the financial groups (thereby allowing a strong association to be formed) and enables lending decisions at shorter distances to clients, which is associated with better access to soft and local information and, therefore, less risky lending.

Overall, all three attempts to (re)establish regional banks in the UK are promising, although despite being attractive, the RBSG proposal seemed less realistic at the time of our interviews. Nevertheless, the current low interest rate environment and increased complexity in banking regulations (both resulting from actions that were taken to tackle the financial and economic crisis) make running regional banks challenging (for Germany, see Gärtner and Flögel 2017), as underlined by the closure of the last savings bank in the UK. If it is in the public interest to re-establish a decentralised banking system, it may be appropriate to find means to support regional banks.

List of interview partners

(all interviews have been conducted in 2016)

Academic expert, 13 September, interview: Newcastle University
Academic expert, 3 August, interview: University of Glasgow
RSA, 16 August, interview: Royal Society of Arts
Academic expert, 17 August, interview: London School of Economics and Political Science
BBA, 17 August, interview: British Bankers Association
Academic expert, 18 August, interview: Lancaster University
RFA, 1 September, telephone interview: Responsible Finance Association
Airdrie savings bank, 7 September, interview: Airdrie Savings Bank
Academic expert, 7 September, interview: University of Glasgow
Academic expert, 8 September, interview: University of Glasgow
CSBA, 12 September, interview: Community Savings Bank Association
RFP, 12 September, interview: Responsible Finance Provider

References

— Agarwal, S., and R. Hauswald, R. (2007): Distance and Information Asymmetries in Lending. (Working Paper).
— Alessandrini, P., A. F. Presbitero and A. Zazzaro (2009): Global banking and local markets: a national perspective. Cambridge Journal of Regions, Economy and Society, 2 (2), 173–192.
— Alessandrini, P., A. F. Presbitero and A. Zazzaro (2010): Bank size or distance: what hampers innovation adoption by SMEs? Journal of Economic Geography, 10 (6), 845–881.
— Allen, F., and D. Gale (2001): Comparative financial systems: a survey. Wharton School, University of Pennsylvania, Philadelphia, PA.
— Appleyard, L. (2013): The geographies of access to enterprise finance. The case of the West Midlands. UK. Regional Studies, 47 (6), 868–879.
— Ayadi, R., D. T. Llewellyn, R. H. Schmidt, E. Arbak and W. P. Groen (2010): Investigating Diversity in the Banking Sector in Europe: Key Developments, Performance and Role of Cooperative Banks. Centre for European Policy Studies, Brussels.

DOI https://doi.org/10.3790/vjh.87.4.67

— Ayadi, R., R. H. Schmidt, S. C. Valverde, E. Arbak and F. R. Fernandez (2009): Investigating Diversity in the Banking Sector in Europe. The Performance and Role of Savings Banks. Centre for European Policy Studies, Brussels.
— Bank of England (2017): List of reporting MFI. www.bankofengland.co.uk/statistics/Pages/reporters/institutions/default.aspx
— Bathelt, H., and S. Henn (2014): The geographies of knowledge transfers over distance: toward a typology. Environment and Planning, A 46 (6), 1403–1424.
— BBC News (2008): Credit union rules 'to be eased'. http://news.bbc.co.uk/2/hi/business/7480418.stm.
— Beyer, J. (2009): Varietät verspielt? Zur Nivellierung der nationalen Differenzen des Kapitalismus durch globale Finanzmärkte. In: J. Becker and C. Deutschmann (ed.): Wirtschaftssoziologie. Wiesbaden, VS Verlag (Kölner Zeitschrift für Soziologie und Sozialpsychologie Sonderheft, 49 2009).
— Boschma, R. (2005): Proximity and Innovation: A Critical Assessment. Regional Studies, 39 (1), 61–74.
— Brämer, P., H. Gischer, A. Pfingsten and T. Richter (2010). Der öffentliche Auftrag der deutschen Sparkassen aus der Perspektive des Stakeholder-Managements. Zeitschrift für öffentliche und gemeinwirtschaftliche Unternehmen: ZögU/Journal for Public and Nonprofit Services, 311–332.
— British Business Bank (2016): Small Business finance markets report 2015-16. Online available at: http://british-business-bank.co.uk/research/small-business-finance-markets-report-201516/
— British Business Bank (2017): The British Business Bank's Enterprise Finance Guarantee at: http://british-business-bank.co.uk/ourpartners/supporting-business-loans-enterprise-finance-guarantee/
— BSA (Building Societies Association) (2017): Mortgage Lending at: https://www.bsa.org.uk/statistics/mortgages-housing
— Cable, V. (2014): Observations on the UK Banking Industry in: International Review of Financial Analysis 36(2014), pp. 84–86.
— Chick, V. and S. C. Dow (1988): A post-Keynesian perspective on the relation between Banking and Regional Development in: P. Arestis (ed.): Post-Keynesian monetary economics. Alderhots, Hants, pp. 219–250.
— Community Savings Banks Association (2016): website. Available online at: www.csba.co.uk.
— Degryse, H., K. Matthews and T. Zhao (2015): SMEs and Access to Bank Credit: Evidence on the Regional Propagation of the Financial Crisis in the UK. (Working Paper).
— Demirgüc-Kunt, A. and R. Levine (2001): Bank-Based and Market-Based Financial Systems: Cross- Country Coparisons. In: A. Demirgüç-Kunt, and R. Levine (eds.): Financial Structure and Economic Growth. A Cross-Country Comparison of Banks, Markets and Development. Cambridge, 81–140.
— DeYoung R., D. Glennon and P. Nigro (2008): Borrower–lender distance, credit scoring, and loan performance: Evidence from informational-opaque small business borrowers. Journal of Financial Intermediation, 17 (1), 113–143.
— Dow, S. C., and C. F. Rodríguez-Fuentes (1997): Regional Finance: A Survey. Regional Studies, 31 (9), 903–920.
— Flögel, F. (2018): Distance and modern banks' lending to SMEs: ethnographic insights from a comparison of regional and large banks in Germany. Journal of Economic Geography, 18 (1), 35–57.

DOI https://doi.org/10.3790/vjh.87.4.67

— Flögel, F. (2019): Distance, Rating Systems and Enterprise Finance. Ethographic insights frim a comparison of regional and large banks in Germany. London.
— Flögel, F., and S. Gärtner (2018): The Banking Systems of Germany, the UK and Spain from a Spatial Perspective: The German Case. IAT Discussion Paper 18 (04).
— French, S., A. Leyshon, and P. Signoretta (2008): All Gone Now: The Material, Discursive and Political Erasure of Bank and Building Society Branches in Britain. Antipode, 40 (1), 79–101.
— Gall, L., G. D. Feldman, H. James, C.-L. Holtfrerich and H. E. Büschgen (1995): Die Deutsche Bank 1970–1995. München.
— Gärtner, S. (2009): Balanced Structural Policy: German Savings Banks from a Regional Economic Perspective. Perspectives, (58), June 2008.
— Gärtner, S. (2011): Regionen und Banken: Gedanken im Lichte der Krise. Informationen zur Raumentwicklung, 2, 153–167.
— Gärtner, S. (2013): World capitals of capital, cities and varieties of finance systems: internationality versus regionally oriented banking. K. Fujita (ed.): Cities and crisis: new critical urban theory. London, Sage, 147–187.
— Gärtner, S., and J. Fernandez (2017): The Banking Systems of Germany, UK and Spain from a Spatial Perspective: The Spanish Case.
— Gärtner, S. and F. Flögel (2013): Dezentrale versus zentrale Bankensysteme. Geographische Marktorientierung und Ort der Entscheidungsfindung als Dimensionen zur Klassifikation von Bankensystemen. Zeitschrift für Wirtschaftsgeographie, 57 (3), 105–121.
— Gärtner, S. and F. Flögel (2014): Call for a spatial classification of banking systems through the lens of SME finance—decentralized versus centralized banking in Germany as an example. Institut Arbeit und Technik (IAT Discussion Paper, 14/01).
— Gärtner, S. and F. Flögel (2015): Dezentrale Banken – ein Vorteil für die Unternehmensfinanzierung in Deutschland? Geographische Rundschau, 67 (2), 32–37.
— Gärtner, S. and F. Flögel (2017): Raum und Banken. Zur Funktionsweise regionaler Banken. Baden-Baden.
— Greenham, T. and l. Prieg (2015): Reforming RBS, Local Banking for the public good. New Economic Foundation, London.
— Grote, M. H. (2004): Die Entwicklung des Finanzplatzes Frankfurt. Eine evolutionsökonomische Untersuchung. Berlin, Duncker & Humblot.
— Haldane, A. G., and R. M. May (2011): Systemic risk in banking ecosystems. Nature 469 (7330), 351–355.
— Hardie, I., D. Howarth, S. Maxfield and A. Verdun (2013): Introduction: Towards a Political Economy of Banking. In: I. Hardie and D. Howarth (eds.): Market-Based Banking and the International Financial Crisis. Oxford, 1–21.
— Hardie, I. and S. Maxfield (2013): Market-Based Banking as the Worst of All Worlds: Illustrations from the United States and United Kingdom. In: I. Hardie and D. Howarth (eds.): Market-Based Banking and the International Financial Crisis. Oxford, 56–78.
— Historische Gesellschaft der Deutschen Bank e. V. (2009): Wünsche warden Wirklichkeit: Die Deutsche Bank und ihr Privatkundengeschäft. München.
— Klagge, B. (1995): Strukturwandel im Bankenwesen und regionalwirtschaftliche Implikationen. Konzeptionelle Ansätze und empirische Befunde. Erdkunde, 49 (3), 285–304.
— Klagge, B., and R. Martin (2005): Decentralized versus centralized financial systems: Is there a case for local capital markets? Journal of Economics Geography, 14 (3), 387–421.
— Klagge, B., R. Martin and P. Sunley (2017): The spatial structure of the financial system and the funding of regional business: a comparison of Britain and Germany. In: R. Martin

DOI https://doi.org/10.3790/vjh.87.4.67

and J. Pollard (eds.): Handbook on the Geographies of Money and Finance. Cheltenham, Edward Elgar, 125–156.
— König, W., E.W. Schamp, R. Beck, M. Handke, J. Prifling and S.H. Späthe (2007): Finanzcluster Frankfurt. Eine Clusteranalyse am Finanzzentrum Frankfurt/Rhein-Main. Frankfurt a.M., Books on Demand.
— Kroner, N. (2009): A Blueprint For Better Banking: Svenska Handelsbanken and a Proven Model for More Stable and Profitable Banking. Petersfield, Harriman House.
— Lee, N., and R. Brown (2017) Innovation, SMEs and the liability of distance: the demand and supply of bank funding in UK peripheral regions. Journal of Economic Geography, 17, 233–260.
— Leyshon, A., and J. Pollard. (2000): Geographies of Industrial Convergence: The Case of Retail Banking. Trans Inst Br Geog, 25 (2), 203–220.
— Leyshon, A., and N. Thrift (1999): Lists come alive: electronic systems of knowledge and the rise of credit-scoring in retail banking. Economy and Society, 28 (3), 434–466.
— Löher, J., and C. Schröder (2018): Einfluss des Regionalbankensystems auf die Mittelstandsfinanzierung. IfM Materialien 267.
— Martin, B. (2017): Rival branch closures boost Handelsbanken UK. The Telegraph, 8 February 2017. www.telegraph.co.uk/business/2017/02/08/rival-branch-closures-boost-handelsbanken-uk/
— Martin, R. (1999): The new economic geography of money. In: R. Martin (ed.): Money and the Space Economy. Chichester, Wiley, 3–27.
— Martin, R. (ed.): (1999): Money and the Space Economy. London.
— Mason, C. (2010): Entrepreneurial finance in a regional economy in: Venture Capital 12 (3): pp. 167-172.
— Minsky, H.P. (1992): The Financial Instability Hypothesis. Levy Economics Institute of Bard College (Working Paper 74).
— Muqtadir, M (2013): Introduction to Credit Unions Statistics. Bank of England.
— Pollard, J. (2003): Small firm finance and economic geography. Journal of Economic Geography, 3 (4), 429–452.
— Prestridge, J. (2017): Bank and building society branches are vanishing all over Britain: Is your local branch about to shut? We reveal the full list of closures for 2017. The Mail, Sunday, 13 Feburary 2017. www.thisismoney.co.uk/money/saving/article-4166954/Bank-building-society-branches-closing-UK.html#ixzz4qgbo18IU
— RFA (2016): Responsible Finance. The industry in 2015.
— RFA (2017): Responsible Finance. The industry in 2016.
— Schamp, E.W. (2009): Das Finanzzentrum – ein Cluster. Ein multiskalarer Ansatz und seine Evidenz am Beispiel von Frankfurt/RheinMain. Zeitschrift für Wirtschaftsgeographie, 53 (1-2), 89–105.
— Schmidt, R.H. (2009): The Political Debate About Savings Banks. Business Review, 61, 366–392.
— Stein, J. (2002): Information Production and Capital Allocation: Decentralized versus Hierarchical Firms. The Journal of Finance, (57) 5, 1891–1921.
— Taylor, P., J. Beaverstock, G. Cook, N. Pandit, K. Pain and H. Greenwood (2003): Financial Services Clustering and its significance for London. Extended Report. Loughborough University, Manchester Business School.
— The Economist (2012): What Germany offers the world. Germany's economic model. The Economist, 14 April.
— Torre, A., and A. Rallet (2005): Proximity and localization. Regional Studies, 39 (1), 47–59.

- Uzzi, B., and R. Lancaster (2003): Relational embeddedness and learning: The case of bank loan managers and their clients. Management Science, 49 (4), 373–399.
- Verdier, D. (2002): Moving money. Banking and finance in the industrialized world. Cambridge, Cambridge University Press.
- Vik, P. (2016): 'The computer says no': the demise of the traditional bank manager and the depersonalisation of British banking, 1960–2010. Business History, 59 (2), 231–249.
- Wilson, F. (2016): Making Loan Decisions in Banks. Straight from the Gut? Journal of Business Ethics, 137 (1), 53–63.
- Wilson, F., S. Carter, S. Tagg, E. Shaw and W. Lam (2007): Bank Loan Officers' Perceptions of Business Owners. The Role of Gender. Br J Management, 18 (2), 154–171.
- Wójcik, D., and D. MacDonald-Korth (2015): The British and the German financial sectors in the wake of the crisis: size, structure and spatial concentration. Journal of Economic Geography, 15 (5), 1033–1054.
- WSBI (2017): Trustee savings banks in the UK 1810-1995. www.wsbi-esbg.org/About-us/History/Pages/HistoryUK.aspx
- Zhao, T., and D. Jones-Evans (2016): SMEs, banks and the spatial differentiation of access to finance. Journal of economic geography, 17 (2017), 791–824.

DOI https://doi.org/10.3790/vjh.87.4.67