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**THE DISTRIBUTION OF FINANCIAL SERVICES
BY NON FINANCIAL ORGANIZATIONS: THE
SPANISH CASE**

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THE DISTRIBUTION OF FINANCIAL SERVICES BY NON FINANCIAL ORGANIZATIONS: THE SPANISH CASE

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ABSTRACT

From end of years ninety the competition in the Spanish banking sector has been increased. One of the reasons of this increase of the competition is the entrance of companies whose original social object did not include the banking activity, but fruit of a diversification strategy decide to enter in this sector.

This research tries to contribute relevant information on this "new" group of competitors.

KEY WORDS: banking institutions, competition, financial agents.

Classification JEL: G21, L13

I. INTRODUCTION

Spanish banking sector is one of most competitive in the world. In the ninety decade certain non financial organizations, fundamentally belonging to sector of the commercial distribution, began to distribute financial products fruit of a diversification strategy.

Initially, these companies carried out the financial activity like a complementary activity to its main activity, enriching with it the sale of the basic product or service. Nevertheless, in the last decade they have begun to offer typically banking products - personal loans, mortgage loans, investment funds, etc. - without they have relation with a main product distributed by them.

Main examples of this entity type in Spain are the great commercial surfaces and the financial agents.

Respect of great surfaces, their main exponents is: El Corte Inglés, Carrefour, Alcampo and Eroski. The great advantage of these companies is to arrange of a large supply of products and services that they attract great number of customers. In addition, they know the "quality" and the habits consumption to its clients through the trusted customer card development in which they have gone collecting information.

For distribution of financial services the great surfaces have bet by the legal form of Financial Establishment of Credit (EFC). By means of this legal form manages their credit card and offers personal or mortgage loans.

Financial agents suppose a form of growth at variable cost used by some financial organizations in Spain. Among them it emphasizes: Bankinter, Deutsche Bank, Pastor Bank and Banesto.

Inside of this group of financial agents Spanish Post office, have signed from February of 1999 a contract of agent of credit organization, to the shelter of the Real Decree 1245/1995, with Deutsche Bank S.A.E., by which it distributes all type of financial products in its more than 1.800 offices a long it of all national territory.

Study structure in seven sections, in addition to this [introduction](#). In [section II](#), it is offered a panoramic of the structure of the Spanish banking sector, analyzing the competition and concentration. In [section III](#), it describes to the relative importance of the "non financial organizations" within Spanish banking sector. In [section IV](#) the singularities of the distribution of financial services study by the postal operators. The conclusions of the study are extracted in [section V](#). In [section VI](#) it expresses the bibliography and, finally in [section VII](#) it is a series of documents attached that has served from base the study.

II. STRUCTURE OF THE SPANISH BANKING SECTOR: COMPETITION AND CONCENTRATION

Traditionally the main business of the financial organizations has been the financial intermediation, that is to say, the pick up of funds of the public and its putting a disposition of third. Later, they have diversified its activity towards all type of financial services (Fernández, 2002; pp. 136-145 and 2005; pp. 35-36)

In Spain, in the middle of the eighties an intense deregulation process began. In 1987 it was liberalized the interest rates and the commissions making possible that could exist an effective competition in prices. In 1989 the freedom of opening offices for the savings banks was decreed to length of all the national territory. In 1991 capital movements were liberalized in the communitarian scope. In 1994 the transposition to the Spanish legislation of the Second Banking Directive through Law 3/1994, of 14 of April, established the banking unique license to operate in all the communitarian territory and the principle of supervision on the country of origin of activities that made the banking organizations in other countries of the European Union.

Credit organizations are classified in three groups: the deposit organizations - banks, savings banks and cooperatives of credit – Official Credit Institute and the financial establishments of credit. The deposit organizations have the greater relative importance providing more of 95% of the added balance of the Spanish banking sector. The financial establishments of credit suppose so single a 2,62% of the same one (Table 1).

Table 1		
CREDIT ORGANIZATIONS: Agregated Balance		
<i>December 2004; million euros</i>	Asset/Liability	% over all
Banks	825.331	54,28%
Saving banks	566.848	37,28%
Cooperatives of credit	56.162	3,69%
Financial establishments of credit	39.837	2,62%
Official Credit Institute	32.454	2,13%
Total credit organizations	1.520.632	100,00%

Source: Banking supervision document 2004. Banco de España

By another side, at 31 of December of 2003 had in Spain¹ 139 banks, 47 savings banks, 86 cooperatives of credit and 78 financial establishments of credit. (Table 2)

Table 2		
CREDIT ORGANIZATIONS: Number		
<i>December 2003</i>	Number	% over all
Banks	139	39,71%
Saving banks	47	13,43%
Cooperatives of credit	86	24,57%
Financial establishments of credit	78	22,29%
Total credit organizations	350	100,00%

Source: Register of Entities at 31 of december of 2003. Banking supervision document 2003

Observing the evolution in the last 25 years the saving banks has been winning market share, whereas the banks lost it. (Table 3)

Table 3				
CREDIT ORGANIZATIONS: Agregated balance evolution in market share				
Year	Banks	Saving Banks	Coop. of credit	Financial est.
1979	69,50%	26,80%	3,00%	0,60%
1980	70,50%	25,60%	3,20%	0,80%
1981	69,70%	26,10%	3,30%	0,90%
1982	69,20%	26,40%	3,30%	1,20%
1983	67,80%	27,40%	3,20%	1,50%
1984	67,30%	27,80%	2,80%	2,10%
1985	65,20%	29,10%	3,00%	2,70%
1986	62,90%	30,70%	3,10%	3,30%
1987	61,00%	30,90%	3,00%	5,00%
1988	58,30%	32,90%	2,90%	5,90%
1989	57,20%	33,90%	2,70%	6,20%
1990	57,00%	34,00%	2,70%	6,30%
1991	59,30%	32,00%	2,80%	5,90%
1992	58,30%	33,50%	2,80%	5,30%
1993	62,00%	31,30%	2,80%	3,90%
1994	61,60%	32,30%	2,90%	3,10%
1995	61,50%	32,70%	3,20%	2,60%
1996	60,30%	33,90%	3,30%	2,40%
1997	60,00%	34,20%	3,40%	2,40%
1998	58,40%	35,60%	3,50%	2,40%
1999	57,50%	36,30%	3,50%	2,70%
2000	56,30%	37,30%	3,60%	2,80%
2001	55,90%	37,40%	3,70%	3,00%
2002	54,80%	38,50%	3,80%	2,90%
2003	55,50%	38,10%	3,80%	2,70%

(1) Exclude Official Credit Institute

Source: Banco de España. Statistic bulletin and personal production

In 1979 savings banks had a market share of 26,8% of the total balance of the Credit Organizations, whereas the banks had a quota of 69,5%. In 2003, saving banks had gained almost 12 percentage points front to a loss of more than 14 percentage points on the part of the banks. As for the Financial establishments of credit, in these last 25 years

¹ Source: Banco de España. Register of Entities, 31 of december of 2003. Banking supervision memory 2003

they have won more than 2 percentage points of quota, although it is necessary to indicate that they come experiencing a loss of weight relative from 1990, year in which they had a quota of 6,2%, fundamentally fruit of the processes of internal reorganization of the banking groups.

The strong requirements of reliability imposed by banking supervisor to the Financial establishments of credit, that are practically equal that those of a deposit organization and the limitation of the development of the business by the side of the liabilities, has caused an intense process of concentration and reduction in last 12 years, from 269 entities² in 1992 to 78 in 2003, which supposes a reduction of 71%. (Table 4)

Table 4		
Financial establishments of credit: Evolution		
Año	Number	% of reduction
1992	269	
1993	223	
1994	193	
1995	187	
1996	144	
1997	108	
1998	103	
1999	96	
2000	86	
2001	85	
2002	83	
2003	78	-71%

Source: Banco de España; Statistic bulletin

From end of the eighty banking sector has undergone great changes that are affected to its structure, adopting the Spanish financial organizations diverse strategies to confront this new scene. One of the pluses outstanding have been the consolidation via mergers and acquisitions, mainly, in the segment of the banks³. Like result of this process the degree of concentration of the Spanish banking sector has been increased considerably

² The Organizations of Credit of Limited Operative Scope are grouped here (ECAOL) that, according to RD 692/96 of 26 of April, they transformed into Financial Establishments of Credit. The entities existing at the moment of the legislative change they were: Organizations of Financing, Societies of Mortgage Credit and Societies of Financier Renting. The Money Market Mediating Societies disappeared in 1994 when transforming itself into Societies or Agencies of Values after its regulation by the law of the Market of Values 24/88 of 24 of July.

³ Mergers of Banco Bilbao Vizcaya Argentaria; Santander Central Hispano; Barclays y Banco Zaragozano; Banco Sabadell, Herrero y Atlántico...

as demonstrates the decreasing evolution of the number of Credit Organizations during the last six years - 1998 to 2003 - (Table 5)

Table 5							
CREDIT ORGANIZATIONS: Evolution							
<i>Number</i>	1998	1999	2000	2001	2002	2003	% Decreasing
Banks	153	147	143	146	144	139	-9,15%
Saving Banks	51	50	48	47	47	47	-7,84%
Credit Cooperatives	97	97	94	92	87	86	-11,34%
Financial establishments of credit	103	96	86	85	83	78	-24,27%
Total Credit Organizations	404	390	371	370	361	350	-13,37%

Source: Banco de España. Register of Entities, december 2003. Banking supervision document

The reduction in the number of Credit Organizations has been of a 13,37% in these six last years, being showier the one has taken place in the financial establishments of credit that have diminished in 25 organizations, a 24,27%.

However, the concentration of the banking sector can also be considered through the CR5 indicator that expresses the market share maintained in a certain territory by the five organizations with greater quota. Using this measurement we observed an increase of the concentration⁴ of the Spanish banking sector in the last thirteen years. In 2003 the five greater banking groups concentrated 55% of the consolidated balance of set of the bank. Comparing it with the 1990 data, we can see that the volume of assets into the hands of the five greater banking groups it was of a 38%. (Table 6)

Table 6			
CONCENTRATION: Consolidated balance			
<i>31 of december; spanish business</i>	1990	1997	2003
Five greater banking groups	38%	47%	55%

Source: Banco de España; banking supervision document. Bank for international settlements

However, in spite of this increase of the concentration in the Spanish banking sector, if we compared it with the rest of countries of euro zone this concentration⁵ is not excessive. Thus, while in Germany the five first organizations managed a 20% of the total assets of the German banking system in 2001, in Belgium the five first

⁴ "74th Annual Report: 1 April 2003-31 March 2004"; Bank for Internacional Settlements, june 2004, pág. 131.

⁵ Cabral I., Dierik F. and Vesala, J. (december 2002), "Banking integration in the euro area", Ocasional Paper Series; no. 6, pág. 42.

organizations managed a 78%. Spain with a 53% was in an intermediate position and with route towards one greater concentration. (Table 7)

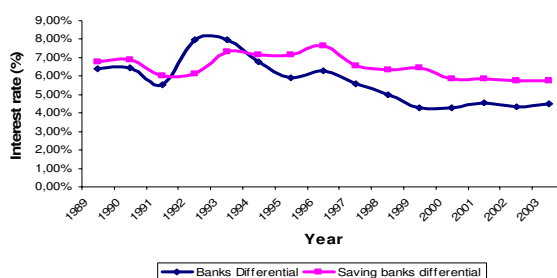
Table 7					
TOTAL ASSETS FIVE GREATER CREDIT ORGANIZATIONS (CR5)					
% over total assets country banking sector					
European Union (15)	1990	1995	1999	2000	2001
Netherland	73	76	82	81	82
Finland	53	69	86	87	80
Belgium	48	54	76	75	78
Greece	83	76	67	65	66
Portugal	58	74	44	59	60
Spain	38	46	52	54	53
France	42	41	43	47	47
Austria	35	39	41	43	45
Ireland	44	44	41	41	43
Italy	19	26	26	23	29
Luxemburg	na	21	26	26	28
Germany	14	17	19	20	20
Average euro zone	46	49	50	52	53

Source: European Central Bank; "Banking Integration in the euro area", december 2002
 CR5 calculated in base no consolidated.

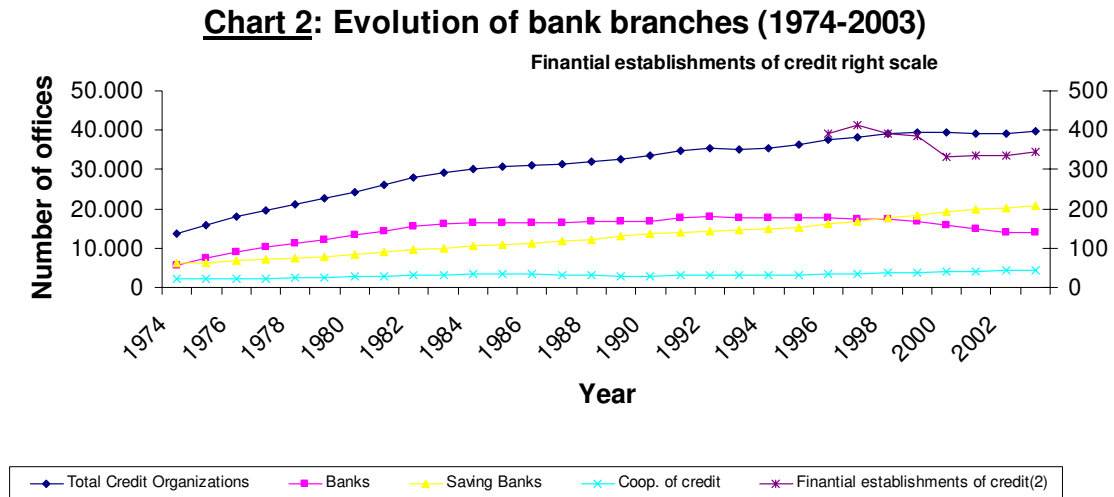
By another side, it has taken place an increase of competition in the Spanish banking sector, although this opinion is not unanimous (Oroz et al., 2003; pp. 73-79). We can observe this increase of the competition in the progressive reduction of the differential between the interest rates for the operations of assets and liabilities (loans and deposits) in both groups of credit organizations more important of the Spanish banking sector: banks and savings banks.

However, the decrease of the interest rate differential has been greater for the banks than for the savings banks. Thus, as for the banks differential has reduced from almost 8 percentage points in 1993 to 4,34% in 2002. With regards to the saving banks the reduction has been less pronouncing (of 1,6%) from 7,34% in 1993 to 5,74% in 2002. (Chart 1, see attached document)

Chart 1: Interest rate differential evolution: Banks and Saving Banks (1989 - 2003)

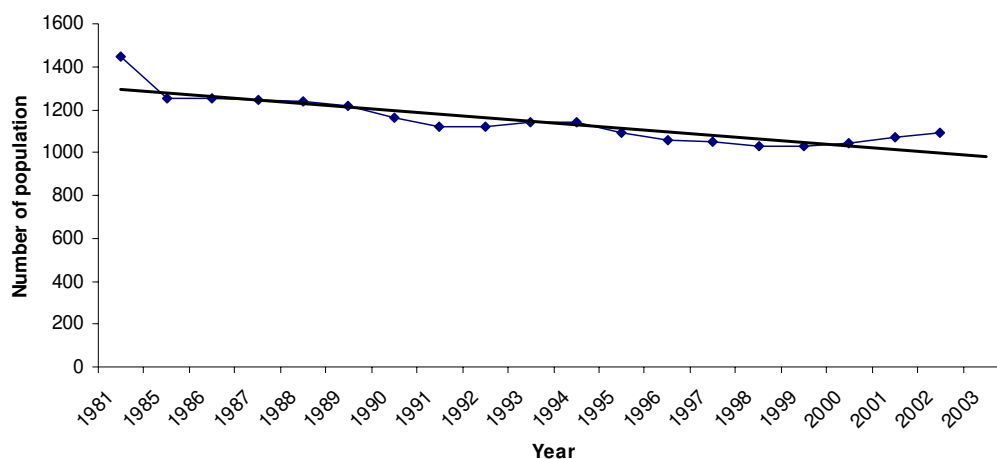


Another indicator that shows to us that an increase of the competition in the Spanish banking sector has taken place is the evolution of the number of banking offices. (Chart 2, see attached document)



Thus, while in 1974 there were 13.798 banking offices, in 2003 the number ascended to 39.749, number that almost triples the one of 1974. By group of organizations the savings banks are those that have experienced a gradual growth from 6.098 offices in 1974 to 20.871 in 2003, without a doubt due to the legislative changes that allowed their geographic expansion. On the other hand, the banks have reduced their number of offices from 18.058 in 1992 to 14.074 offices in 2003..

If we crossed these data with the Spanish population, we can observe that the banking offices have grown more than the population. The ratio of population per banking office has come diminishing indicating an increase of the competition. Thus, in 1981 a Spanish bank office took care of an average 1.481 people whereas in 2003 it had been reduced 1.095 people. (Chart 3; see attached document)

Chart 3: Spanish population per bank office

The bank office will not disappear in the future (Peinador et al., 2001; pp. 97-114), but clients will make a different use from each channel and they will want to have all the options available. The office will be for some segments a consultation point whereas for others it will be a point of sale. (Embid et al., 1998)

As a conclusion of this section we can say that it has taken place an increase of the concentration in the last years in the Spanish banking sector as indicates the reduction of the number of organizations that operate and the increase of the market share of the five first banking groups. Nevertheless, competition not only not has reduced but it has been increased as it demonstrates the reduction of the differential rates between assets and liabilities of banks and savings banks, and the reduction of the number of clients taken care by bank office fruit of the greater increase of the number of offices than the population.

III. THE SPECIFIC IMPORTANCE OF THE NON FINANCIAL ORGANIZATIONS

Firstly, it is necessary to locate the market in that the non financial organizations compete in terms of reference segment.

In respect with the traditional approach of the European Commission on the matter, presented in diverse Decisions⁶, three segments in the banking sector can be distinguished: a) the retail bank, constituted by the banking services to individuals and families; b) the corporative bank that includes the banking services to companies; and c) the operation and investment bank in the monetary markets that groups the operations in the financial markets.

In this sense, we can consider that the financial activity developed by the "non financial organizations" is located in the retail bank segment since their clients are particular and, except for rare exceptions, they go to the corporative sector.

In countries as the United States the financial activity is an habitual business developed by the great companies of commercial distribution. Nevertheless, in Spain the first non financial company is relatively recent being "El Corte Inglés" who began to emit credit cards in the middle of years sixties, although it has been since the nineties it has become general in the rest of great companies of commercial distribution. In 1996 "El Corte Inglés" constituted a financial branch and that same year it occupied the first position in the ranking of financial establishment of credit with a 26% of market share. According

⁶ Subjects NIV/M.342-Fortis/CGER, NiV/m.573-Ing/Barinas, NIV/M.643-CGER/SNCI, NiV/M.873-Bank Austria/Creditanstalt, NIV/M.983-Bacob Banque/Banque Paribas Belgique

to a research made by Peinador et al. (2001) more of 80% of the clients who go to the commercial centers and consume bank services do it by reasons for schedule amplitude of these great surfaces. We could extrapolate this analysis to the other group of non financial organizations who are the financial agents and who have an amplitude of schedules much greater than those of the traditional bank. (Table 8)

Table 8 Customer service hours in the different organizations				
Estimated	Highest working day	Monday to Friday	Saturdays	Sundays and holidays
Banks⁽¹⁾	1,700 hours	From 8:00 am to 3:00 pm	From 8:00 am to 13:30 pm. Not open between 1 of april to 30 of september	
Saving banks⁽²⁾	1,680 hours	Between 1 october - 30 of april: from 8:00 am to 3:00 pm except Thursday until 2:30 pm. Between 1 of may - 30 of september: from 8:00 am to 3:00 pm		
Great companies of commercial distribution⁽³⁾	1,775 hours	From 10:00 am to 10:30 pm ⁽⁵⁾	From 10:00 am to 10:30 pm	Open a minimum of eight holidays depend on the region
Financial agents⁽⁴⁾	1,785 hours		From 9:30 am to 1:30 pm	

(1) Bank collective agreement 2003-2004, art. 25
(2) Saving bank collective agreement 2003-2006, art. 31
(3) Commercial distribution collective agreement, art. 31 Resolution of 23 of july of 2001, General Direction of Work
(4) Referenced to collective agreement of offices Madrid, art. 18
(5) Customer service hour "El Corte Inglés"
(6) Customer service hour "Correos"
Source: annual reports

The opening schedule differs substantially. While the banks and savings banks have a schedule of opening almost exclusively in the morning, the financial agents open in the afternoons and all Saturdays, too. But without a doubt are the great surfaces those that have a great customer service hour opening from Monday to Saturday for more than 12 hours uninterrupted, and some holidays.

As a result of the legal restrictions to the expansion by opening new establishments, the great surfaces have decided the expansion through the increase of the offered product portfolio, among them the financial services. Within the broad financial supply they emphasize: personal loans, payment cards, mortgage loans, money transfers⁷, investment funds. (Table 9)

⁷ Since June 2004 Carrefour provide in its establishments the service of money transfer to any country of the world through an agreement with Money Gram

Table 9
Credit cards offer by the Non Financial organizations

September 2004

Organization	Name	Kind	Emission fee	Annual fee	Channels
Financial Services Carrefour	Pass card	credit/debit card valid only in Carrefour establishments	free	free	outlet, phone, web
Financial Services Carrefour	Visa pass card	credit/debit card valid in any establishments which accept visa	free	free	outlet, phone, web
El Corte Inglés	El Corte Inglés card	credit/debit card valid only in El Corte Inglés establishments	free	free	outlet, phone, web
Eroski	Consumer card	credit/debit card valid only in Eroski establishments	free	free	outlet, phone, web
Alcampo	Alcampo card	credit/debit card valid only in Alcampo establishments	free	free	outlet, phone, web

Source: Company's webs

According to the estimations made by Spanish consultant FRS Inmark, in 2001, the loans that canalized the commercial centers through client cards were between 0.1% and the 1,2% of the consumption credit. Within this process of diversification implemented by the great surfaces the financial activity are more and more frequent, what it turns to them true competitors of the banks and the saving banks (Melle, 2002; pp. 96-103).

The great companies of distribution have decided on the legal formula of the Financial Establishment of Credit to develop the financial activity with a financial partner who knows the market.

According to the Bank of Spain⁸ at the end of 2003 there were 74 Financial Establishment of Credit that had credit activity and 4 stayed inactive, having itself reduced the total number of the registered ones in five organizations during year 2003, following the tendency of the last years. (Table 10)

Table 10
Financial Establishments of Credit: Evolution

	1998	1999	2000	2001	2002	2003	% Growth	CAGR ⁽¹⁾
Number	103	96	86	85	83	78	-24,27%	-4,53%

(1) CAGR = Compound average growth rate

Source: Bank of Spain; Register of entities at 31 of december of 2003; Banking supervision document

On the other hand, the evolution of the number of employees who work in the Financial Establishments of Credit has remained stable during the last years. (Table 11)

⁸ Economic bulletin, May 2004

Table 11
Financial Establishments of Credit: Employees evolution

Year	Employees	% Growth
1998	5.113	
1999	5.229	2,3%
2000	4.889	-6,5%
2001	5.062	3,5%
2002		
2003		

Source: Bank of Spain; banking supervision document

The number of offices has been reduced in more of a 10%. (Table 12)

Table 12
Financial Establishments of Credit: Branch evolution

Year	Branches	% Growth
1998	399	
1999	391	-2,0%
2000	343	-12,3%
2001	347	1,2%
2002		
2003		

Source: Bank of Spain; banking supervision document

The destiny of the credit granted by the Financial Establishments of Credit in 2003 was directed to individuals with a percentage of 48,3%, fundamentally destined to the financing of durable consumer goods. (Table 13)

Table 13
Financial Establishments of Credit: Loans by purpose
Euro ,000

Period	Total	Financing of productive activities ⁽¹⁾	Other financing to householders by expenditure functions								
			Total	Acquisition and rehabilitation of housing	Durable consumer goods	Rest ⁽²⁾					
			%	%	%	%					
1992	24.681.841	17.116.324	69,3%	7.568.517	30,7%	2.608.182	10,6%	4.284.604	17,4%	672.731	2,7%
1993	20.002.326	12.844.729	64,2%	7.157.597	35,8%	3.194.307	16,0%	3.568.311	17,8%	394.979	2,0%
1994	17.253.862	10.376.234	60,1%	6.877.628	39,9%	3.151.756	18,3%	3.337.306	19,3%	388.566	2,3%
1995	16.223.992	9.537.924	58,8%	6.686.068	41,2%	3.166.252	19,5%	3.205.883	19,8%	313.933	1,9%
1996	16.611.003	9.051.921	54,5%	7.559.082	45,5%	2.949.659	17,8%	3.182.137	19,2%	1.427.286	8,6%
1997	17.427.879	9.816.024	56,3%	7.611.855	43,7%	2.787.104	16,0%	3.596.000	20,6%	1.228.751	7,1%
1998	19.108.920	11.452.651	59,9%	7.656.269	40,1%	2.710.083	14,2%	3.931.618	20,6%	1.014.568	5,3%
1999	23.554.152	13.892.097	59,0%	9.662.055	41,0%	2.901.629	12,3%	5.378.307	22,8%	1.382.119	5,9%
2000	26.963.074	16.268.448	60,3%	10.694.626	39,7%	2.783.453	10,3%	6.147.357	22,8%	1.763.816	6,5%
2001	32.249.525	19.696.674	61,1%	12.552.851	38,9%	3.016.162	9,4%	7.194.416	22,3%	2.342.273	7,3%
2002	33.164.485	19.545.756	58,9%	13.618.729	41,1%	3.364.501	10,1%	7.604.923	22,9%	2.649.305	8,0%
2003	33.912.896	17.547.384	51,7%	16.365.512	48,3%	4.830.218	14,2%	8.388.032	24,7%	3.147.262	9,3%

(1) Loans received by companies

(2) Loans received by householders to the acquisition of land and rural estates, securities, current goods and services not durable (for example loans for trip expenditure) and others

Source: Bank of Spain; statistic bulletin

Another legal formula to provide the financial activity by the "non financial organizations" has been the one of financial agent. This formula implies that the credit organization grants powers to the agent to act habitually in front of the customer, in name and on behalf of the financial organization, in the negotiation or formalization of banking typical operations. From the legal base contained in Law 26/1988 of Discipline and Intervention of the Credit Organizations and in article 22 of Real Decree 1245/1995, of 14 of July, on creation of banks, border activity and other questions relative to the legal regime of the credit organizations, it has settled down the conditions of such relation of agency: the responsibility of the financial organization credit of the fulfilment of the arrangement norms and discipline by the acts that the agent carries out; the exclusive feature in its activity of the agent to represent a single organization of credit or group, as well as the necessity that the agent identifies of unequivocal form the financial organization that represents in all the relations that it establishes with the customer.

In the middle of March of 2003 85 Credit Organizations maintained near 9.500 contracts of agency for the negotiation or formalization of its operations to the customers. Of these, a 76% are concentrated in four banks. (Table 14)

Table 14 Number of Credit Organizations' Agents										
Year	Total		Banks' Agents				Saving banks' Agents		Credit cooperatives'	
	Number	% Growth	National Number	%	International Number	Total Number	Number	%	Number	%
1998	3520									
1999	5090	44,6%	4082	80,2%	319	4401	547	10,7%	142	2,8%
2000	7753	52,3%	6484	83,6%	664	7148	461	5,9%	144	1,9%
2001	9435	21,7%	8634	91,5%	54	8688	606	6,4%	141	1,5%
2002	9346	-0,9%	8530	91,3%	67	8597	624	6,7%	125	1,3%
2003	5674	-39,3%	5174	91,2%	41	5215	369	6,5%	90	1,6%

Source: Bank of Spain; Banking Supervisory document

The fallen of the number of agents in 2003, group used fundamentally by the National Banks, it is consequence of a methodologic change in the information provided by the Bank of Spain that produces a rupture in the series. Financial agents were declared in 2003 with a definition stricter than it requires of the granting of powers, what it has taken to a reduction in the declared number of such.

The credit organizations with greater network of agents - according to the information available in its annual reports are: (*Table 15*)

Table 15			
Financial Agents by Credit Organization			
2003; million eur			
Credit Organization	Number of agents	Business managed	Credit investment
Bankinter	990	2375	950
Banco Atlántico ⁽¹⁾	653	393	nd
Deutsche Bank SAE ⁽²⁾	180	700	175
Banco Pastor	200	350	nd
Banco de Valencia	135	nd	nd

(1) Data of 2002; Since 2003 belongs to Group Banco Sabadell
(2) Only business managed by Correos
Source: Annual reports

At the end of 2003, the network of Bankinter's agents managed a volume of business of 2.375 million euros; of that 40% correspond to credit investment, fundamentally mortgage credits. Bankinter is the credit organization with greater number of agents, and the precursor in the use of this channel. Nevertheless, in the last years it is reducing its network of agents. (*Table 16*):

Table 16		
Bankinter's number of financial agents evolution		
Year	Number of agents	% Variation
2001	1.230	
2002	1.003	-18,46%
2003	990	-1,30%

Source: Bankinter's annual report 2003

Several reasons of the success of the formula of financial agent exist, but without a doubt the most important is the saving of the cost to implant an office, cost that totally

is supported by the agent. According to the European Central Bank⁹ the offices continue being fundamental assets in the strategy of banking product distribution. (Table 17)

Table 17 Number of local units (branches) of Credit Institutions per 1,000 inhabitants						
Country	Year					
	1997	1998	1999	2000	2001	2002
Belgium	0,72	0,70	0,68	0,65	0,60	0,54
Denmark	0,43	0,43	0,43	0,44	0,45	0,40
Germany	0,77	0,73	0,71	0,69	0,65	0,62
Greece	0,23	0,25	0,25	0,26	0,27	0,28
Spain	0,97	0,99	0,99	0,98	0,97	0,96
France	0,43	0,42	0,42	0,42	0,43	0,43
Ireland	0,32	0,29	0,26	0,23	0,25	n/a
Italy	0,44	0,46	0,47	0,49	0,51	0,52
Luxembourg	0,76	0,76	0,80	0,76	0,62	0,61
Netherlands	0,44	0,43	0,40	0,38	0,35	0,31
Austria	0,58	0,57	0,57	0,56	0,56	0,55
Portugal	0,47	0,49	0,53	0,55	0,54	0,52
Finland	0,25	0,24	0,23	0,23	0,24	0,24
Sweden	0,28	0,25	0,24	0,23	0,23	0,23
United Kingdom	0,28	0,27	0,26	0,25	0,25	n/a
Monetary Union	0,60	0,59	0,59	0,58	0,57	n/a
European Union	0,54	0,53	0,53	0,52	0,51	n/a

Source: European Central Bank

The reduction in the number of offices by each 1.000 inhabitants in the European Union has been very small, from 0,54 offices in 1997 to 0,51 in 2001. Spain is the country that greater ratio of banking offices by each 1.000 inhabitants has with 0,96 in 2002.

But, Does exist oportunities for the entrance of new competitors in the Spanish banking sector? The answer to this question is not simple, but if we consider which supposes the banking assets on the Gross Domestic Product (GDP) in the rest of European countries, we can observe that it is route for the growth of the existing organizations and the entrance of new companies in the Spanish banking sector. (Table 18)

⁹ "Structural analysis of the EU banking sector: Year 2002"; november 2003, page 22.

Table 18						
Total Credit Institutions Assets over GDP						
Country	Year					
	1997	1998	1999	2000	2001	2002
Belgium	3,06	2,98	3,03	2,82	3,05	2,97
Denmark	2,11	2,27	2,39	2,47	2,63	n/a
Germany	2,56	2,75	2,86	2,99	3,03	3,02
Greece	1,07	1,39	1,53	1,68	1,55	1,43
Spain	1,70	1,73	1,78	1,85	1,92	1,94
France	2,44	2,39	2,51	2,47	2,57	2,55
Ireland	2,61	3,02	3,37	3,46	3,69	3,70
Italy	1,56	1,43	1,47	1,52	1,52	1,61
Luxembourg	33,50	32,01	32,20	31,13	33,52	30,18
Netherlands	2,31	2,55	2,63	2,85	2,95	3,05
Austria	2,28	2,39	2,47	2,59	2,71	2,56
Portugal	2,37	2,86	2,80	2,73	2,86	2,72
Finland	0,97	0,93	0,99	0,98	1,20	1,18
Sweden	1,78	1,57	1,66	1,67	n/a	n/a
United Kingdom	3,17	2,94	3,17	3,31	3,61	n/a
Monetary Union	2,30	2,36	2,45	2,58	2,58	2,57
European Union	2,42	2,43	2,55	n/a	n/a	n/a

Source: European Central Bank

Thus, while the average ratio in the twelve countries of the Monetary Union is of 2,57 times the GDP, in Spain it is only of 1,94 times. From an economic point of view, it is possible that the banking activity is profitable for the great companies of distribution in Spain nevertheless, it does not count on the approval of the banking supervisor: the Bank of Spain. The Japanese banking model - companies are owners of banks - has caused important banking crises.

IV. DISTRIBUTION OF FINANCIAL SERVICES BY POSTAL OPERATORS

In each state member of the European Union -15 there is a public postal operator (OPP), ordered of the benefit of the universal postal service. (*Table 19*)

Table 19 Public postal operators (PPO) in the UE-15	
Contry	Name of the PPO
Germany	Deutsche Post World Net
Austria	Osterreich Post
Belgium	La Post - De post
Denmark	Post Denmark
Spain	Correos y Telégrafos
Finland	Finland Post
France	La Poste
Greece	Hellenic Post
Netherlands	PTT Post - TNT Post Group
Ireland	An Post
Italy	Poste Italiane
Luxembourg	P&T Luxembourg
Portugal	CTT Correios
United Kingdom	Royal Mail
Sweden	Posten

Source: Annual reports

In Europe the alliance between postal operators and the banks constitute a history of fruitful results in the banking product distribution through the great networks of postal offices causing the rejection of the rest of the banking sector.

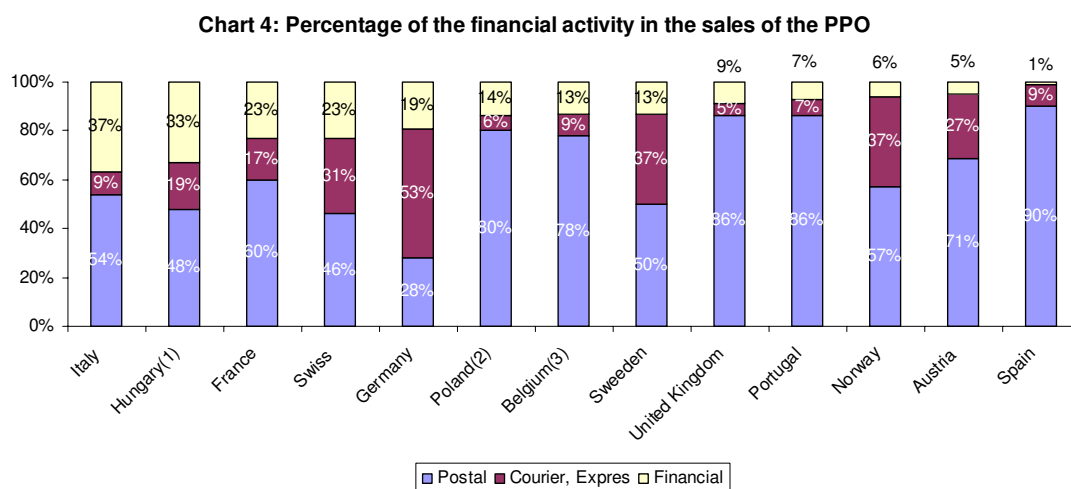
In France, the French Banking Federation (FBF) has rejected the decision of the State to grant to the Post - the French postal operator - the category of establishment of credit as of 2005. The FBF has warned that the 17.200 postal offices are equivalent to the sum of the offices that have the four first banking groups of the country.

In Germany, Deutsche Post is owner of the greater retail bank of Germany - Post Bank - with more than eleven million clients and who in May of 2004 began to quote in stock market.

In Italy, Poste Italiane with their 14.000 offices have made the organization with greater growth in the last years with their brand "Banco Posta".

In the United Kingdom, the postal operator - Royal Mail - has settled down an alliance with the Bank of Ireland for the financial product sale.

The numbers of the alliances between postal operators and financial organizations are unquestionable. The financial activity constitutes a component key of the results of many post office, getting to surpass 30% in specific cases like Italy or Hungary, and surpassing 5% of the income in most of the countries. (Chart 4)



In addition, the financial activity developed by the post office has obtained important market shares in its countries, turning to them authentic banking competitors. (Table 20)

Table 20	
Internal market share of the PPO	
2001	
Country	Current account market share
France	18%
Swiss	10%
Belgium	9%
Hungary	7%
Germany	5%
Italy	4%
Poland	1%

Source: Annual Reports; Central Banks

There are several keys for this "financial" success of the postal operators in its respective countries. Next we emphasized most important:

1) In most of the European countries, the State uses the network of postal offices for the benefit of all type of public services related to the financial activity: payment of pensions, taxes, etc. that they produce a positive effect for the development of the banking business. (Table 21)

Table 21 Additional services carried out by Postal Operators			
2003			
Country/PPO	Additional services to postal service		
	Pay benefit	Pay of utilities bill	Pay of taxes
Germany / Deutsche Post	si	si	si
UK / Consignia	si	no	si
Italy / Poste Italiane	si	si	si
France / La Poste	si	si	si
Spain / Correos	no	si	si
Swiss / Swiss Post	si	si	si
Belgium / La Post De Post	si	si	si
Portugal / CTT Correios	si	si	si
Czech Republic / Poczta Polska	si	si	si
Hungary / Magyar Posta ⁽¹⁾	si	si	si
Austria / Post AG	si	si	si
Ireland / An Post	si	si	si
Sweedden / Posten	si	si	si
Netherlands / TPG	si	si	si
Norway / Posten	si	si	si
Finland / Suomen Posty Oy	si	si	si
Denmark / Post	si	si	si
Turkey / PTT	si	si	si
Greece / Hellenic Post	si	si	si

(1) 2000

Source: Annual reports. International Post Corporation. Universal Postal Union

2) One of the key factors so that the postal operators bet by the financial activity is their network of offices that in some cases duplicates the one of all the banking system of the country. (Table 22)

Table 22 Postal offices / Bank offices			
2003			
Country	Postal offices (PO)	Bank offices (BO)	PO/BO
Hungary ⁽²⁾	3.200	1.250	2,6
Czech Republic	3.400	1.730	2,0
Ireland	1.780	970	1,8
UK	17.800	13.750	1,3
Swiss	3.200	2.800	1,1
Norway	1.450	1.430	1,0
Finland	1.400	1.550	0,9
Netherlands	2.500	3.300	0,8
France	17.200	26.000	0,7
Turkey	4.560	6.900	0,7
Sweedden	1.300	2.000	0,7
Poland	8.200	12.700	0,6
Denmark	1.080	2.100	0,5
Australia	2.300	4.500	0,5
Italy	14.000	29.200	0,5
Greece	1.300	3.100	0,4
Germany	13.000	43.800	0,3
Belgium	1.350	6.100	0,2
Portugal	1.070	5.170	0,2
Spain	3.353	39.749	0,1

(1) All kind of retail offices included

(2) 2000

Source: Annual reports. European Central Bank. Bank of Spain

We can observe like in Hungary, the number of postal offices is 2,6 times the one of banking offices, what it gives an idea us of the relevance of the network of postal offices for the carry out the financial activity.

In Spain nevertheless, the number of postal offices arrives not even at 10% of the network of banking offices and, in addition there are financial organizations with greater number of offices. (*Table 23*)

Table 23 Spanish comparative between postal offices versus bank offices 2003	
Organization	Offices
La Caixa	4.735
Santander Group ⁽¹⁾	4.369
BBVA	3.371
Correos	3.353
Popular Group	2.134
Caja Madrid	1.914

(1) 1.695 Banestos' offices included
Source: Annual reports

3) Another important factor of the success is the "postal brand". Traditionally, the post office have an image of confidence and ideal security to the development of the banking activity. In addition, the postal operators who have diversified in financial services have invested in the development of their banking brand - Poste Italiane invested in 2001 18 million euros in the development of its brand "Banco Posta" -.

V. CONCLUSIONS

From 1990 and fruit of the liberalization process, globalization and deregulation of the Spanish banking sector a new competitive group has introduced itself to which we could denominate "non financial organizations". We could define them like those typically nonbanking organizations, but that fruit of a diversification strategy decides to enter in the banking sector. In the present study we have identified within this new competitive group the great companies of commercial distribution and the financial agents, making special emphasis within these to Correos.

In spite of their residual weight within the Spanish banking sector these organizations are growing in number and are catching market share, mainly in credit investment.

Also, it is given a vision of the importance of the post office in the banking sector of other countries and the keys of their success have been analyzed.

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VII. ANNEX

Chart 1
Interest rate differential of liability and asset transactions⁽¹⁾

Year	Banks		Saving banks	
	Differential		differential	
1989	6.39%		6.77%	
1990	6.46%		6.90%	
1991	5.54%		6.00%	
1992	7.96%		6.15%	
1993	7.97%		7.34%	
1994	6.79%		7.14%	
1995	5.92%		7.18%	
1996	6.31%		7.63%	
1997	5.56%		6.56%	
1998	4.97%		6.35%	
1999	4.30%		6.44%	
2000	4.30%		5.87%	
2001	4.58%		5.84%	
2002	4.34%		5.74%	
2003	4.49%		5.76%	

(1) Simple average. 2003 information until march
Source: Banco de España. Statistic Bulletin

Chart 2
Evolution of bank branches⁽¹⁾

Year	31 of december				
	Total Credit Organizations	Banks	Saving Banks	Coop. of credit	Finantial establishments of credit ⁽²⁾
1974	13.798	5.628	6.098	2.072	
1975	15.978	7.582	6.363	2.033	
1976	18.053	9.098	6.818	2.137	
1977	19.693	10.210	7.206	2.277	
1978	20.994	11.094	7.502	2.398	
1979	22.568	12.238	7.807	2.523	
1980	24.187	13.231	8.288	2.668	
1981	26.040	14.299	8.900	2.841	
1982	27.999	15.380	9.571	3.048	
1983	29.324	16.062	10.065	3.197	
1984	30.167	16.412	10.440	3.315	
1985	30.753	16.606	10.797	3.350	
1986	30.961	16.518	11.061	3.382	
1987	31.500	16.498	11.754	3.248	
1988	31.972	16.691	12.252	3.029	
1989	32.735	16.677	13.168	2.890	
1990	33.478	16.917	13.642	2.919	
1991	34.873	17.824	14.034	3.018	
1992	35.429	18.058	14.291	3.080	
1993	35.193	17.636	14.485	3.072	
1994	35.544	17.557	14.880	3.107	
1995	36.251	17.842	15.214	3.195	
1996	37.471	17.674	16.094	3.311	392
1997	38.046	17.530	16.636	3.468	412
1998	39.031	17.450	17.582	3.607	392
1999	39.371	16.905	18.337	3.744	385
2000	39.299	15.811	19.268	3.888	332
2001	39.011	14.756	19.829	4.091	335
2002	39.008	14.072	20.326	4.275	335
2003	39.749	14.074	20.871	4.460	344

(1) Not included Banco de España's and ICO's offices
(2) Data of FEC from 1996 due to RD 692/96 regulation
Source: Banco de España. Statistic bulletin

Chart 3
Evolution of the number of spanish population per bank office

Year	Total Credit Organizations	Banks	Saving Banks	Coop. of credit	Finantial establishments of credit ⁽²⁾	Spanish population	Population per bank office
1981	26.040	14.299	8.900	2.841	0	37.683.362	1.447
1985	30.753	16.606	10.797	3.350	0	38.473.418	1.251
1986	30.961	16.518	11.061	3.382	0	38.725.115	1.251
1987	31.500	16.498	11.754	3.248	0	39.218.820	1.245
1988	31.972	16.691	12.252	3.029	0	39.541.782	1.237
1989	32.735	16.677	13.168	2.890	0	39.887.140	1.218
1990	33.478	16.917	13.642	2.919	0	38.872.268	1.161
1991	34.873	17.824	14.034	3.018	0	39.137.979	1.122
1992	35.429	18.058	14.291	3.080	0	39.790.955	1.123
1993	35.193	17.636	14.485	3.072	0	40.229.598	1.143
1994	35.544	17.557	14.880	3.107	0	40.460.055	1.138
1995	36.251	17.842	15.214	3.195	0	39.669.397	1.094
1996	37.471	17.674	16.094	3.311	392	39.669.397	1.059
1997	38.046	17.530	16.636	3.468	412	39.852.651	1.047
1998	39.031	17.450	17.582	3.607	392	40.202.160	1.030
1999	39.371	16.905	18.337	3.744	385	40.499.791	1.029
2000	39.299	15.811	19.268	3.888	332	41.116.842	1.046
2001	39.011	14.756	19.829	4.091	335	41.837.894	1.072
2002	39.008	14.072	20.326	4.275	335	42.717.064	1.095
2003	39.749	14.074	20.871	4.460	344	nd	

(1) Not included Banco de España's and ICO's offices
(2) Data of FEC from 1996 due to RD 692/96 regulation
Source: Banco de España. Statistic bulletin

Chart 4
Percentage of the financial activity in the sales of the PPO

Country	Activity		
	Postal	Courier, Express	Financial
Italy	54%	9%	37%
Hungary ⁽¹⁾	48%	19%	33%
France	60%	17%	23%
Swiss	46%	31%	23%
Germany	28%	53%	19%
Poland ⁽²⁾	80%	6%	14%
Belgium ⁽³⁾	78%	9%	13%
Sweeden	50%	37%	13%
United Kingdom	86%	5%	9%
Portugal	86%	7%	7%
Norway	57%	37%	6%
Austria	71%	27%	5%
Spain	90%	9%	1%

(1) 2000
(2) Included joint venture with Bank Pocztowy and with Cardiff
(3) Included joint venture with Fortis Bank and with AXA
Source: Annual reports