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FUTURE BANKING

Retail banking prospects of Kokkola region

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ABSTRACT

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The work starts by describing the present situation in banking and what has led to this point. There was also stated couple of glimpses to the future and what the situation looks like from the European Union and the United States point of view.

Then the theory part moves to telling first about international institutions such as IMF and the World Bank and continues by describing the Europe and its financing environment. I introduced the Central Bank, the Investment Bank and the monitoring organization, the European Banking Authority. I also mentioned briefly the Bank of England which is also a central bank and the situation in US with the Federal Reserve System.

Deeper dive into the subject of the thesis happens through introduction to the banks which representatives was included in the research part of the thesis. There is also review back to their mobile applications later on in the thesis.

After introductions it continues by telling about current state of banking, future prospects, new technological innovations and new trends. Mainly how the two last points have and will affect to the banking business.

Research part starts by describing how the used method of research was chosen and what the aim of the research is. As the aim was to draw guidelines for future of retail banking in Kokkola region the interviews focused on key points what have raised discussion in the media.

Lastly, there is a concluding part which highlights and evaluates the knowledge gained from the theory part and the interviews made. It also gives recommendations for further study in the field.

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ABSTRACT

Key words
Banking, Digital Currencies, European Union, Future, Mobile Applications, Shadow Banking, Technology

CONCEPT DEFINITIONS

Cryptography = Action of writing or reading messages or codes which are secrets. (Merriam-Webster 2015.)

Digitalisation = Integration of digital technologies in normal life of in all the forms it can take. (BusinessDictionary 2016.)

Near Field Communication (NFC) = Near Field Communication is a short distance wireless technology that allows the reader and the component not to need a separate link between them. (NFC-Forum 2016.)

Megatrend = Megatrends are large and transformative forces that have impact to whole of globe. They have far reaching affects to business, society, culture and economies. (EY 2015.)

Mobile Banking = The use of smart device to make financial transactions or other bank related actions. (Investopedia 2016.)

Shadow Banking = Broad description can be entities and activities that offer credit services outside of regular banking sector. Some institutes and others use the term “market-based financing” but Financial Stability Board uses shadow banking since it is more known term. Term in itself is not used to cause any kind of suspicion to these sorts of activities. (Financial Stability Board 2014.)

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1 INTRODUCTION

Powerful forces are reshaping the banking industry. Changes in customer expectations, technological capabilities, regulatory requirements, demographics and economics are together creating entirely new environment for the retail banking sector. Banks need to get a hold of these challenges and find the weapons to be successful in the future. Banks must not only execute on today's imperatives, but also radically create new models and transform for the years to come. (PwC 2014, p.5.)

Public awareness has risen towards big banking institutions likes of central banks European Central Bank and the U.S. Federal Reserve as well as the International Monetary Fund and the World Bank. Public interest has started to guide these institutions and their policies through public's interests in goals, economic analyses and decision-making processes. (Graham 2006.)

Bank industry is facing constant changes. The customs banks have, must follow the overall financial situation, low interest rates and new legislation considering banking, along with megatrends such as digitalisation. In this environment it is a tough challenge to create benefits for customers and answer to their needs. As these changes have been faced, their impact is starting to show in the whole bank industry. For example in Europe the way banks operate is not anymore as varied as it used to be. (Fungacova & Toivanen & Tölö 2015.)

Big banks in Europe and in the USA have informed that they are decreasing their investment banking actions because of its weak profitability. Background to this for big banks is in challenges relating administration and IT-systems, highly competitive environment and more strict regulations. (Fungacova & Toivanen & Tölö 2015.)

Megatrends such as demographic changes of civilisation, developments of technology and infrastructure and urbanization forces banks to adapt the current climate. Profitability of banks is challenged by slow economical growth and low interest rates. Banks usually get most of their profits from interests, fees and trade but in current economical situation this is difficult. As the profits of banks are at low level, European banks have been led to a situation where they have to find new ways to enhance their operations and decrease their expenses. (Fungacova & Toivanen & Tölö 2015.)

Cross pressures push banks to vary their services to different directions. In Europe, the population is getting older in average and this segment is custom to old methods and ways of bank customer services. On the other hand, the younger generations have got used to more rapid changes and are eager to receive faster and more modern customer service as they invent new ways. (Fungacova & Toivanen & Tölö 2015.)

After the global financial crisis that started 2006, banking sector took a lot of time to recover. When it started to get back on its feet, customer's behaviour to use banks had changed by the introduction of smart phones and smart devices. The power had shifted more in to the hands of customers since they have more options in financial services than ever and all that is behind a simple click. With multiple banking services in their pockets, customers had been given possibility to select the service most suitable for their need at any given time and place. This situation has taken banks time to adapt. (Indra Company 2014.)

Shadow banking had made its way to the markets which has also caused difficulties. Traditional banking is slow to adapt to changes because of banking regulations, but the new entrants and institutions that fall in the category of "shadow banking", does not have this problem. Traditional banks image has also been damaged by the financial crisis which leads customers to seek for alternative options. (Indra Company 2014.)

Nowadays electronic banking has taken new forms. Payments through digital and mobile wallets are becoming more and more popular in the Nordics. Nordic regional trend has been taking leaps towards cashless society and Finland is not an exception. Progress can be seen as several companies and government offices in Finland have given up the use of cash. For example the government offices such as the National Land Survey of Finland stopped accepting cash in two customer service branches in North Karelia during January-April 2013. Mainly to save costs, as cash deposits needed to be sent to the bank once or twice every day. As the trial worked, the National Land Survey of Finland stopped accepting cash in all branches in Central and Southern Finland, and Pirkanmaa-Satakunta. Similarly, Aurinkomatkat, one of Finland's largest travel agencies, declines cash payments in its service offices. One new form is also use of mobile payments - including mobile wallets and carrier billing – and it is gaining popularity among Finnish consumers. (World Market Intelligence News 2016.)

Looking to the future of Finland and its banks there has to be considered Europe 2020. It is set of aims European Commission has set for European Union to achieve by 2020. They have given also country specific recommendations on its member states. To Finland there has been mentioned as the number one point to achieve a sustainable public finances. Finland's public finances are at the moment strong, but in the future there is threat to sustainability because of demographic change. Finland is one of the Member States that is projected to have the biggest proportional increase in expenses considering health-care and long-term care over the next fifty years. Pension expenditure is also forecast to increase at more than twice the EU average by 2060. It is therefore important that the costs of ageing are regularly assessed and that maximum efficiency is sought. (European Commission 2013.)

According to Bank of Finland’s report Finland’s economic situation remains difficult for a couple of years still. Forecast says that slow inflation grows purchasing power of households and slight increase can be seen there but investments are going to stay low and foreign trade is going to have hard time. They also say that the country’s debt is going to continue increasing at rapid pace. (Bank of Finland 2015.)

2 INTERNATIONAL BANKING INSTITUTIONS AND THE US

In the world there are two main institutions when considering banking globally. The International Monetary Fund and The World Bank are part of the United Nations system and as their mission has been determined the raising of living standards in their member countries. Roughly separating, IMF deals with more macro economical issues, where as the World Bank focuses on long-term economic development and poverty reduction. (IMF 2016.)

2.1 IMF

The IMF stands for International Monetary Fund. The IMFs main purpose is to keep stability in international monetary system and to secure sustainable economic growth. Reduction of poverty is also mentioned in their mission. The IMF was created 1945 and is governed by its 188 countries that are members of the institute. Original aims have been to enhance international monetary co-operation, improve international trade, to promote currency exchange actions and to help countries that are facing finance-based problems. The institute monitors its member countries and their monetary policies. If needed, they highlight the risks to stability, and give advices how to correct the situation. One of the main responsibilities IMF has is to lend money to countries that are facing financial troubles or potential balance of payments problems. This way country can rebuild and fix their monetary issues and international stability can be sustained. (IMF 2016.)

2.2 The World Bank

The World Bank itself is constructed of The International Bank for Reconstruction and Development and The International Development Association. The World Bank Group, however, is built from 5 different parts. Along with the two previously mentioned are The International Finance Corporation, The Multilateral Investment Guarantee Agency and The International Centre for Settlement of Investment Disputes. (The World Bank 2016.)

The International Bank for Reconstruction and Development (IBRD) is an institution that answers of the lending to governments of middle-income and creditworthy low-income countries. The International Development Association's (IDA) task is to evaluate and provide credits as well as grants to governments of the poorest countries. The International Finance Corporation (IFC) is the largest global development institution focused solely on the private sector. They assist developing countries to achieve sustainable growth by financing investments, directing capital in international financial markets, and giving advisory services to enterprises and governments. The Multilateral Investment Guarantee Agency (MIGA) institution was created to promote foreign direct investment into developing countries to support economical growth, decrease the amount poorness, and enhance the lives of people living in developing regions. MIGA actions are to offer political risk insurance to investors and lenders. The International Centre for Settlement of Investment Disputes (ICSID) is there to provide facilities in case of conciliation or arbitration cases need to be settled. This is basically a platform for investment disputes to take place. (The World Bank 2016.)

2.3 Overview of the US

U.S. banking regulation traditionally focuses on prudence. The business decisions of banks are regulated reflected to their safety, soundness and adequate capital. In addition, banks are given access to a lender of last resort, and some bank creditors are provided guarantees. Regulating the risks that banks take is believed to help ease out the credit cycle. Here the "credit cycle" means the periodic booms and busts in lending. The Federal Reserve as lender of last resort was formed after the Panic of 1907. Federal Deposit Insurance Corporation was established in the 1930s to reduce the incentive of depositors to take their money from banks during a financial panic. (Murphy 2015.)

In the year 2007 was introduced new regulations regarding liquidity and accounting of banks. From then on banks have had to measure their own capital more accurately to meet the risks they are taking when giving out credit. The higher the risk is in the lending of money, the more capital buffers they have to keep for protection against credit losses. The main aim of these liquidity regulations is to enhance the stability and effectiveness of banking. Changes in accounting for European Union banks are the new of international financial statement standards called International Financial Reporting Standards, IFRS. Same rules have been considered and partly applied in the USA from where the bank crisis of 2006 began. (Alhonsuo & Toivanen & Pesola, 2006; Wessel, 2014. p.3.)

Changes following the 2008 Financial Crisis led to creation of “The Dodd-Frank Act” which formed the interagency Financial Stability Oversight Council (FSOC). In it was authorized a permanent staff to monitor systemic risk and unified bank regulation from five agencies to four. The Act granted the Federal Reserve oversight authority and the Federal Deposit Insurance Corporation (FDIC) resolution authority over the largest financial firms. It also consolidated consumer protection rulemaking. (Murphy 2015.)

The Federal Reserve System is the central bank of the US. Its mission has been since its launching in 1913 to give the nation safer, more flexible as well as more stable system of monetary and financial sector. Over passing of time its duties have expanded in banking and economy. Tasks the Fed answers on are providing the nation's monetary policy, monitoring and regulating banking institutions to ensure the safety of the nation's banking, maintaining the stability of the financial system, and lastly, providing financial services to depository institutions. (Board of Governors of the Federal Reserve System 2009.)

The Federal Deposit Insurance Corporation (FDIC) promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions. They do this by risk identification and monitoring of the deposits issued to Insurance funds as well as by limiting the impact on the economy and the financial system when a bank or a similar institution fails. (Federal Deposit Insurance Corporation 2016.)

The FDIC is an independent agency of the federal government which was created in 1933 in response to the numerous of bank failures that occurred in the 1920s and early 1930s. The agency monitors and guides over 4, 5 thousand banks and savings banks for operational safety. (Federal Deposit Insurance Corporation 2016.)

3 BANKING IN EUROPE

What makes the EU an interesting area business-wise is the integrated markets and shared currency. The Single Euro Payments Area (SEPA) is way to enhance money transfers within the area without currency loss between transfers. Within SEPA the European Union citizens and companies can make and receive payments in euro under the same basic conditions, rights and obligations, regardless of their location. Basically this means fast and safe money transfers between bank accounts anywhere in the euro area. Also if one is shopping abroad, there is a possibility to use bank debit card to pay in euro, as one where in his/her home country. (European Comission 2016.)

Banking actions are highly integrated in European Union on many sectors. The EU and its single market is a reality and monetary flows from country to another are fluent. Since the Euro was introduced, banks have been also able to loan money from the whole of Europe's financing markets. In theory this integration of financing sector affects so that the competitiveness increases. Competition is offered not only domestic banks anymore but also the banks that offer their services over borders. It forces banks to come up with new more efficient processes and paying focus to the quality and variation of the products and services offered. (Alhonsuo & Toivanen & Pesola 2006.)

3.1 The ECB

The European Central Bank is the central bank of the EU and the main body of euro zone's banking sector. Euro zone is formed by the 19 EU member states that have taken euro as their currency. The ECB main function is to maintain financial stability and the purchasing power of euro. It is official institution of the EU answering on the defining and implementing monetary policy for Euro area along with banking supervision. (ECB 2016.)

3.2 The EIB

European Investment Bank is the bank of European Union. It is owned by the member states and it represents their interests. EIB is the biggest multilateral borrower by volume and their task is to offer finance and expertise in projects contributing to enhancing EU policy objectives. Most of their actions by far are concentrated on Europe but they also provide support outside the EU to EU’s external development policies. (EIB 2016.)

3.3 The EBA

In Europe the banking practices are monitored by independent body called the European Banking Authority (EBA). It is a part of The European System of Financial Supervision along with the European Securities and Markets Authorities and the European insurance and Pensions Authorities. The EBA works to attain effective and consistent regulation as well as supervision across the European banking sector. Overall objectives are mentioned to be keeping up the financial stability in the EU and make sure there is efficient and orderly functioning banking sector. It also contributes to creation of unified and harmonised rules to European banking sector in European Single Rulebook where there are set rules for financial institutions all over Europe. (EBA 2016.)

3.4 The Bank of England

The Bank of England (BoE) is the central bank for the whole United Kingdom. The bank was founded 1694 and its mission has been to guarantee the financial and monetary stability. They also mention promoting good to the people of United Kingdom to be part of their mission. Couple of banks tasks are to maintain the public’s confidence in the bank notes, protecting value of money and their currency and maintaining confidence in monetary stabilisation objectives of keeping low and stable prices. (Bank of England 2016.)

4 FUTURE PROSPECTS

It has been predicted by many that the traditional bank could fall since disruptive new competitors come to the markets and win shares by being able to offer enhanced customer experience through new products and channels. However, despite the emergence of new entrants and business models, some believe the traditional bank has a bright future. In PwC's report "Retail Banking 2020: Evolution or Revolution?" they write that: *"The fundamental concept of a trusted institution acting as a store of value, a source of finance and as a facilitator of transactions is not about to change."* However, they cannot deny that much of the landscape will face significant changes in response to the impacts of customer expectations, regulations, technology, new competitors and shifting economics. Banks will have to take a clear strategy to overcome these changes – whether to be in the frontline of changes by making them, adopt other banks ways of doing things, or to manage defensively, putting off change. Staying the exactly same as in past will most likely to result in failure. The successful banks in the future will find keys to manage at the current climate as well as innovate and transform themselves to thrive against the challenges of future. Future will require banks to be open and ready to explore alternative options in an uncertain world. (PwC 2014, p.3.)

4.1 Today's Challenges

Attracting new customers is always one of the top challenges banks face. They are keen to achieve growth, and finding new customers is the first response of a good product banker. However, banks currently also recognise the must to deepen their customer relationships in order not to lose their customers to other banks. They have to focus more on specific customer outcomes. This leads to the fact that enhancing customer service is the key investment priority for banks all around the world. The impact of growing number and changing regulations is also a heavy challenge. Some say the number one challenge for US and European banks. Bankers feel that this is a struggle which is hard to change from a burden to advantage. (PwC 2014, p.6.)

In fast developing markets, such as Asian markets, big and established banks have less dominance. There bankers have listed that tough challenges include attracting talent and retaining existing customers. Research and development, new innovations and introduction of new products are key investment priorities. Bankers mention in PwCs' study, that they are focusing more than ever before to overcome these challenges. As there are cost pressures facing the whole industry, doing more with less recourses and staff, these are hard struggles for banks. (PwC 2014, p.6.)

4.2 Preparing for the future

PwC has stated a list of six priorities for 2020 banks have to address to survive and to maintain their existence. As previously have been stated, the pace of change is increasing even more and banks have to be more on the pulse of them to ensure position to succeed in the days to come. This can be done by firstly developing a customer-centric business model. Second point is to optimise distribution. Third priority is enhancing the first one by keeping the business model simple and easy to comprehend. Fourth has to do with technology and innovations as it is “obtaining an information advantage”. This can be achieved through forming the bank to become a learning organisation that is able to grow their knowledge in everyday activities. Fourth priority leads to fifth when it’s taken far enough to point of enabling innovation, and the capabilities required to foster it. Last priority is to control and manage risk, regulations and capital in every situation. (PwC 2014, p.6.)

The study also shows that banks all around the world agree they are not entirely prepared according to these priorities because lack of financial, talent, technology and organisational constraints. However, they acknowledge that these are the priorities banks need to manage in order to succeed on market opportunities and address unexpected challenges in the future. (PwC 2014, p.6-7.)

Banks also need to think of the strategy they wish to adopt – whether it is to shape the industry from the frontline, rapidly follow the leaders, or manage defensively by putting off change. It is vital to have a clear strategy in order to fight these challenges and conquer these priorities. These options also include revising benefits of partnerships with third parties and learning from other industries. (PwC 2014, p.7.)

Every bank has its own unique strengths and weaknesses they have to play on without forgetting these priorities. Each of the priorities is important and a balanced focus will lead to successful results. Balance also with tactical initiatives and longer term programmes will eventually build together the victorious entirety. (PwC 2014, p.7.)

4.3 Trends in banking

Development trends, at the moment, for banks are commonly seen specialization and outsourcing. If a bank has a narrow customer segment they want to reach, they are more likely to gain them as customers effectively. Some banks have leaned towards old ways of only offering loan and deposit products to customers of certain area. However, some banks are still able to cope with universal banking-style. (Fungacova & Toivanen & Tölö 2015.)

As bank industry has been changing, this has created opportunities to new entities. Weak economical growth, legislations, seeking of profits and technical innovations has made way for shadow banking. Shadow banks do not take deposits. Because of this, the same rules do not apply for traditional banking and shadow banking. Shadow banking is, roughly said, banking activities that are entirely or partially outside of the traditional banking sector money transmissions. However, a company that's operations may be classified as "shadow banking services" create important range of variety to financial field, with products such as hedge funds. This sector has been predicted by experts to grow rapidly in the following years. (Honkanen & Koskinen 2015.)

4.3.1 Digital Currencies

Regardless of the form of money, it is created by three different functions it serves. Firstly, money is a "Medium of exchange" which means it is used as an intermediary in trade to avoid the inconveniences of a barter system for example the need for a coincidence of wants between the two parties involved in the transaction. Secondly, it is a "Unit of account". Money acts as a standard numerical unit for the measurement of value and costs of goods, services, assets and liabilities. Thirdly, it is a "Store of value". Money can be saved and retrieved in the future. (ECB 2012, p.10.)

Money can be said to be a "social institution". It is a tool created and marked by society's evolution, which has shown a capacity to evolve and adapt to the character of the times. It does not come as a surprise that money also has been affected by recent technological innovations and by the widespread use of the internet. (ECB 2012, p.10.)

Virtual currencies are very similar with ordinary money and they have their own retail payment systems. These points combine in the term “virtual currency scheme”. Virtual currency schemes have become relevant in the wide field of the financial system and have therefore risen to the interest of central banks. Virtual currencies have got a lot of attention in the media. People have had mixed feelings concerning virtual currencies and they have directed their questions to respected institutions likes of the ECB. This has resulted in the ECB’s case to carry out a detailed analysis regarding virtual currency schemes. (ECB 2012, p.5 & 9.)

Even though people use a lot of different digital currencies in varied ways, one standalone currency has risen into wider publicity and some say it is going to revolutionize the way we think about money. Name of this currency is “Bitcoin”. It is the first decentralized digital currency which means that it is not governed by any central bank. Some feel that Bitcoin will lead us toward a freer and entirely new virtual economy. Bitcoin is truly leading currently the trend of digital currencies around the world. As there is no central bank where Bitcoins are created it means they do not need a physical representation, so concrete Bitcoins one could touch does not exist. They are based on use of cryptography to control their creation and transfer. It does not rely on any central authority. This idea inspired the creator Satoshi Nakamoto. It is not public knowledge whether “Satoshi Nakamoto” is one person or a group of people but it is the name that has took the credit of creating the code that provides Bitcoins using a computer’s processing power. (Sagona-Stophel, p.1-2.)

4.3.2 Outsourcing

Financial Supervisory Authority in Finland has issued regulations and guides to financial sector in a document called “Ulkoistaminen rahoitussektoriin kuuluvissa valvottavissa”. Basically, in English it means “Outsourcing monitoring in financial sector”. They recommend that bodies under these regulations keep in their hands the following matters: inner monitoring and risk governing issues, inner supervision, compliance-action, core IT and investing actions and all things related. Matters they do not advise to focus so thoroughly are for example marketing and advertising, legal counselling and invoicing. (Finanssivalvonta 2012.)

4.3.3 Shadow Banking

Broadly described the shadow banking is basically credit intermediation involving entities and activities outside of the regular banking system. Using non-bank channels to intermediate credit can have advantages and contributes to the financing of the real economy. However, such channels can also become a source of systemic risk. This can happen if they are structured to perform bank-like functions (e.g. maturity and liquidity transformation, and leverage) and when they are linked with the regular banking system heavily. Appropriate monitoring of shadow banking and appropriate policy regulations helps to prevent such systemic risks. (Financial Stability Board 2015.)

5 NEW TECHNOLOGIES

New technology has brought interesting innovations to banking. Contactless capabilities have introduced mobile wallets, watches and contactless cards which popularity has been increasing rapidly. There have been guesses of society becoming almost walletless in the next decade. Use of cash has been in decline for a long time already and could be even cut in half in the next ten years. Mobile wallets such as Apple Pay, Android Pay and Samsung Pay are likely to decrease the use of cash even more rapidly. Contactless technology is being implemented to transporting more and more. This new technology is not just for younger generations as people in their 40s have started to take smartphones and mobile wallets as their own. According to prospects, future will not be cashless despite majority will use mobile wallets. There are going to be many alternatives for method of payment in the future. (MBNA 2016.)

5.1 Mobile Banking

Survey done by the Federal Reserve of US defines mobile banking as using one's mobile phone to access bank account or any other financial account. Mobile banking is usually done either by accessing your bank's web page through the internet browser on your mobile phone or by using an application downloaded to your mobile phone. (Board of Governors of the Federal Reserve 2013.)

Mobile wallet is a broad definition but it basically means payment made using smartphone. There it also stores every receipt and information on payment activities. In mobile wallet there can be anything one would have in a normal wallet: coupons, loyalty cards etc. The difference is just that it is in the internet. The person using mobile wallet has the wallet with him/her whenever there is access to internet. (Schatt & Laplanche 2014.)

In this study I will introduce the mobile applications of each of the banks under the magnifying glass and differentiate their characteristics. Later in the thesis there will be more about them explained by the experts.

5.2 Upcoming Innovations

Next big thing after smartphones that have raised a lot of discussion in innovation world is the Google Glasses. They are glasses that form a screen in upper right lens of the user and the user is able to do different computer like functions for example by voice commands. How this innovation can be linked to banking is limitless. If a person is walking by the sidewalk and sees a house for sale he/she can look it up from the internet by scanning it with Google Glasses and get the information needed right there. And if there is a mobile wallet linked to the Google Glasses the person is able to do all sorts of calculations based on his bank info regarding possible loan. (Schatt & Laplanche 2014.)

6 RESEARCH METHODOLOGY

Research in itself can be defined through two different approaches. These are basic research and applied research. Basic research happens because of intellectual interest in phenomena and its goal is to extend knowledge. Basic research may result to changes or transform in practices but the primary purpose is just to know more. Applied research is motivated by want or need to improve practices. Here the goal is to know more in order to make changes and develop the current situation. (Merriam 2014. p. 3-4.)

Researches usually fall into two different categories: quantitative and qualitative. However, they do not rule each other out and research can be a mixture of both. (UniversityNow 2014.)

6.1 Quantitative Research

Quantitative research most often utilizes with numerical information and statistics. It is objective, concrete and measured. Methods that can be used include scientific experiments, surveys and general observation. Quantitative research does not require personal interpretation which means the study should lead to same results whoever is responsible for carrying it out. (UniversityNow 2014.)

In quantitative research the researcher starts with hypothesis. Researcher has some kind of assumption about the reality and carries out the research to find out whether the hypothesis stands. (UniversityNow 2014.)

The reason why I chose not to use quantitative research for this thesis is that, I wanted to find out how couple of selected experts see the future. My aim was to let them lead the discussion, find out what each of them highlighted and finally draw their views together. I felt that surveys or the tools often used in quantitative research would not give the depth I wanted to achieve in my work.

6.2 Qualitative Research

Qualitative research focuses on how people interpret their experiences, how they construct their worlds and what meaning they highlight from their experiences. In qualitative research the main point is to understand better how certain selected people feel and see the issue we want to know more about. Qualitative research constructs from interpretations, themes and ideas. It is subjective, interpretive and descriptive. (Merriam 2014, p.5; UniversityNow 2014.)

Qualitative researches can be divided to six different categories: basic qualitative research, grounded theory, phenomenology, ethnography, critical qualitative research and narrative analysis. (Merriam 2014, p. 8.)

For this thesis I choose to use grounded theory type of qualitative research through semi structured interviews. This means I wanted to construct sort of a theory what the future could look like for banking from the expert's view of Kokkola region. Semi structured interview is an interview that is thematic and topic-centered where the interviewer has points he/she wishes to cover but with a fluid and ease structure. (Edwards & Holland 2013, p.3.) I chose this method because I want the experts to speak without barriers and focus on the key issues they themselves find important. This way I am able to draw more conclusions reflecting to each of their background and experience individually.

7 CONCLUSIONS

The world we live in has been increasing up its pace of changes gradually over the years. As fragile as banking business and finance sectors are, the global changes and trends require fast but proper adjustments from the enterprises dealing with finance. A megatrend, such as digitalisation, transforms industries ruthlessly and when companies fail to jump on board the right way, they lag behind and suffer from the mistake sometimes even to point of bankruptcy. Doing thesis on such topic that is in the point of such major changes was from time to time frustrating but also interesting.

By this work, I feel, I was able to get glimpse of the point where retail banking is at the moment and draw some guidelines where it is headed. Through such topics as international institutions effect on retail banking, mobile banking, digital currencies, shadow banking and co-operation between industries we are able to grasp this point of time and make educated guesses about the future as well as do further study on the field.

I would suggest for further studies to focus more heavily on mobile banking and to the issue of bank-agnostic development. Also I have not been able to take on the issue of new application that banks announced is coming to Finnish markets 2017. Since it was announced so late of year 2016 and I was not aware of the applications introduction to Finland. However, it is a big subject to study, a step forward in transacting money and is going to affect a lot.

Looking back the process I think the topic was much too wide and the focus should have been detailed to only one or two areas of retail banking. The quality of the work could have been improved by restricting the topic to focus only on the customer or the banks perspective. Also what came clear in the process was that mobile banking is at the moment so vast issue in itself, that for covering it, research as big as this, would not have been enough.

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