The Internationalization of Banks
The Consumer Perspective

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Abstract

Increased deregulation, cross-border activities of non-financial companies and improved information communications technology led to an increased consolidation of financial institutions across borders. Commercial banking sector in particular, have witnessed tremendous amount of cross-border bank merger and acquisitions’ (M&As) deals through out the recent years.

The reasons behind cross-border bank M&As are examined from different theoretical perspectives, such as a mode of entry into a foreign market, as a value-creating strategy and/or way of maximizing shareholder value either by achieving efficiency gains or by increasing the market power. It is not entirely clear however if any of these motives take into account the consumer perspective on the subject matter; in fact it seems that consumer perspectives or attitudes towards the increasingly globalized banking sector has been left out of discussion. Furthermore, while globalization has accelerated cross-border merger activities around the world, another global force recently has been creating a counterweight to cross-border deals. Concerns over nationalism, feelings of national security and protectionism have delayed several cross-border banking deals.

The purpose of this study is therefore to explore the Swedish consumer attitudes on the issue of internationalization of banks. Through literature studies we have identified relevant theories of consumer perspectives on the general concept of globalization; the consumer nationalism and consumer worldmindedness. Based on the previously developed scale of these two opposing concepts, the study measures the consumer attitudes towards the subject matter by examining to what extent they accept the highly globalized world and more importantly, greatly internationalized banking sector. The study took a quantitative approach where the survey was handed out to the general public in Jönköping in order to apply our researched theories and to see for an association between their general attitude on globalization and their specific attitude towards internationalization of banking sector.

The result showed the average consumer has a nationalistic attitude towards internationalization of banks. Thus we can argue that although the future seems to bring us an increasingly globalized financial market, the nationalistic or protectionist attitude may always exist at some level within the individual consumer. It is hard to predict how broad or influential the impact of this ‘attitude’ would be, yet it is certain that this will be a never-ending counterforce to the globalized banking sector we are looking at in the future. Foreign banks who are merging with or acquiring Swedish banks therefore should focus not only on the gains that they will achieve from entering Sweden, but also how these gains can be transferred as a benefits to consumers or government of the country to manage challenges related to consumer nationalism.

Keywords

Internationalization of the Banking Sector, Cross-border Merger & Acquisitions, Consumer Nationalism and Worldmindedness
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1 Introduction/ Background

The internationalization of banking which started in the early 1970s paved the way for the globalization of finance and became more and more evident during the 1990s as international capital flows increased in magnitude. The internationalization and globalization processes have been facilitated by the ongoing communications and information technology revolution. Capital flows have increasingly responded to economic and financial news (Mullineux & Murinde, 2003), as have been seen in the current ‘credit crunch’ which started in the US and have had ripple effects throughout the world’s financial institutions.

The traditional distinction between banks and financial markets have broken down, Allen and Santomero, (1998) says ‘banks have become the dominant players in the financial markets, with off-balance sheet trading forming the major part of their core business’ (Mullineux et al. (2003). The result is multinational banks that are able to offer the full range of banking and financial services. ‘Citigroup is a classic example of a financial conglomerate where loans, risk management services, insurance, pensions, funds management, and the like can be obtained from the market through the interface of a single service provider.’ (Mullineux et al., 2003) In Sweden an example is Länsförsäkringar which provides similar ranges of services as Citigroup.

Competitive pressures are also creating rapid changes in the market structure of the banking industry. Mergers and acquisitions which began in the 1980’s continue to intensify as banks try to achieve the benefits of increased scale and scope. The underlying issues are many but they include technological development, excess capacity, globalization and deregulation, and the improvement in the quality of banks (Berger et al, 1999).

The indications are that financial globalization is broadly beneficial to the world economy (Thiessen, 1998), and that the international financial markets can now facilitate access by borrowers to a larger pool of global savings and enhance investment opportunities for savers worldwide (Mullineux & Murinde, 2003). Though a world of fewer, bigger banks promises even greater havoc if one was ever to fail (The Economist, 2008).

The future that we are looking at seems to be an increasingly global financial market sector where national borders have less and less importance, but what seems to have been left out of recent studies is what the consumer attitudes are towards the multinational banks that are emerging on their national market.
2 Problem discussion

According to Jansen (2001) the first ever known merger took place at the end of 19th century and since then there has been five cyclic waves and the current fifth merger wave started in 1993. Increased deregulation, privatization and corporate restructuring and the increase in international commerce led to an acceleration of cross border types of mergers and acquisitions activities in financial services industry since the 1990s. In fact, one of the most active sectors in cross-border M&As is financial services, with a demonstration of sky-rocketing figures of deals year after year (Berger, DeYoung, Genay & Udell, 1999).

Dealogic, a company that tracks M&A activities worldwide, announced that monthly banking M&A volume has reached $87.2 billion in September, 2008 so far. Furthermore the recently announced acquisition of HBOS for $21.9 billion by Lloyds TSB is the largest European banking M&A deal in 2008 so far and second largest globally (The Financial Express, 2008). The world’s biggest ever banking deal was $100 billion acquisition of ABN AMRO by the Royal Bank of Scotland made in 2007, and as a result cross-border deals represented two-thirds of total deal values in European financial sector (Pricewaterhouse Coopers, 2008). In only September this year, three of the top five global banking deals were announced; including Bank of America’s acquisition of Merrill Lynch for $44.4 billion, followed by Lloyds TSB’s takeover of HBOS for $21.9 billion and Commerzbank’s buyout of Dresdner Bank for $14.4 billion. And the other two major M&As this year are Westpac Banking’s acquisition of St George Bank for $18.5 billion and BlackRock’s takeover of UBS (Subprime and Alt-A portfolio) for $15 billion (The Financial Express, 2008).

Market observers said that there will be further consolidation in the banking sector because of a recent global financial crisis arisen from a collapse of 158-year-old Lehman Brothers and distressed sale of Merrill Lynch and Bear Stearns (The Financial Express, 2008).

Despite the increasing number of M&A activities, the failure rate of M&A’s is very high. Research by both academics and consulting firms consistently showed that 50-75 percent of M&A’s fail to live up to expectations (Papadakis, 2007). In particular due to their international nature cross-border M&As involve unique challenges as countries have different economic, institutional (i.e., regulatory), and cultural structures (Hofstede, 1980). Barriers to cross-border mergers may include distance and differences in language, culture, currency, corporate structure etc. A question of whether merger works or who they benefit is therefore a topic of a hot debate.

While today’s globalization is leading to an accelerating cross-border merger activities around the world, another global force recently has been creating a counterweight to cross-border deals. Due to concerns over nationalism, national security and perhaps even a little bit of protectionism several cross-border deals have recently delayed. Moreover among certain industries, in particular in the banking sector, feelings of national pride and protectionism have been created (KPMG, 2006).
One can say that Sweden is a relatively small country which has to be more open to international trade and therefore economic nationalism cannot be easily transferred. Afterall the concept of nationalistic consumer does not seem applicable to the country since it is heavily dependent on international trade and second, part of of the EU. At the same time though, this force of dependence might actually create a counterforce of ‘consumer nationalism’, the phenomenon known as a tendency for consumers to prefer domestic to foreign goods. ‘While the world’s economy is becoming increasingly borderless and people’s awareness of a larger, more interdependent world is heightened, other divisions, and in particular symbolic boundaries, are growing more visible and prominent.’ (Barber, 1996) As nationalism goes hand in hand with globalization, the rising tide of consumer nationalism has become one of the challenges for multinational corporations (Wang, 2005).

The opposite phenomenon labeled as ‘worldmindedness’ implies on the other hand an increasing appreciation of world sharing and common welfare. These two emerging phenomena are becoming of a great importance when it comes to consumers’ point of view on the internationalization of certain industries (Rawwas, Rajendran &Wuehrer, 1996). Yet, whether these two are essentially important concepts when it comes to finance industry, particularly in the banking sector is not entirely acknowledged. Due to this reason, and also because the increasing trend of cross-border bank M&As as discussed above has not been looked through the consumer eyes, the research study will focus on the consumer perspective toward this trend.
3 Purpose

The purpose of the thesis is to find out the Swedish consumers’ attitudes towards the increased trend of cross-border bank M&As which is leading to the internationalization of banks.

3.1 Delimitations

There are various theories and models within the field of consumer perspective. This research has limited itself to identifying consumer attitude through the general point of view on globalization and nationalism. Furthermore, consumer perspective differs depending on what product or service is bought and certainly there are more than a few important factors that affect consumer viewpoint when it comes to various types of financial services institutions. This research has been limited to the banking sector only based on the growing trend of cross-border M&As within the sector. The sampling selection has been limited to the city of Jönköping in Sweden. It seemed to be the most appropriate choice considering the limitations in resources.
4 Frame of References

The theoretical framework will cover existing findings, theories and previous researches that are relevant to the subject topic of the thesis. The aim of this section is to give the reader a better understanding of various concepts including cross-border bank M&As as the main factor luring internationalization of banking sector, what is specific about consumer behaviour in the financial services and the consumer nationalism and worldmindedness, surging concepts within international marketplace.

4.1 Consumer Behavior in Financial Services

Traditionally consumers had little choice in selecting financial instruments and delivery channels. They had to accept the form and price offered because of the industry’s rigid structure, combined with the operation of cartels. Consumers had little incentive to change their financial providers because it forced them to incur financial costs and created little, if any benefit in the long term (Beckett, Hewer, & Howcroft, 2000).

According to McKechnie (1992) as the decision involves management of consumer’s financial resources, the important factors that influence consumer’s decision in selecting a bank include confidence, trust and customer loyalty. Furthermore, common choice criteria include dependability and size of the institution, location, convenience and ease of transactions, professionalism of bank personnel and availability of loans. It is also important to note that increased competition, deregulation and technological advancements in the industry changed consumer behavior like in others; consumers’ tendency to switch banks and make rationale decisions when purchasing different categories of financial product have increased (Beckett, Hewer, & Howcroft, 2000). In addition, it is worth to notice that recent global financial crisis is significantly influencing the consumer perception; consumers are becoming less and less confident in banks, one recent example is only 38% of U.S. consumers are now confident in financial strength of banks (Morpace Inc., 2008).

The main distinguishing feature of service from goods is intangibility, since services are processes or experiences rather than physical objects and therefore cannot be possessed (Bowen & Schneider, 1988; Lovelock, 1981; Shostack, 1977). As a result, it is more difficult to evaluate services before purchase compared to goods and since consumers have fewer cues to base their decision on before purchasing financial services, they evaluate the service quality based on the post-purchase or during consumption experience (McKechnie, 1992).

Financial literacy is something that is of a great importance for a person to be able to make the right financial decisions and manage their money and financial risks. With a basic financial education a person is able to, for instance use his/her credit responsibly and understand the benefits of saving, thereby to choose the right bank for his/her personal financial needs. In 2000, a ‘commission of inquiry’ was proposed where ‘private financial education’ or also called ‘financial literacy’ was suggested to become a mandatory subject in the Swedish secondary school. Currently a similar subject exists called ‘consumer behaviour’ which...
is not a subject in its own right but instead integrated into many different subjects. According to the inquiry depending on the teacher in charge of the courses and the teachers own knowledge on ‘consumer- and financial behavior’; some teachers taught the subject in depth whereas others did not touch upon the subject at all. The lack of knowledge of the teacher was mentioned as one of the reasons but mostly since it was not seen as the core subject and therefore not prioritized (SOU, 2000:29). Substantial growth in the numbers and range of financial products increases the complexity for consumers and as a result also increases the risk for the consumer to make a poor financial decision. Its not uncommon for people to lose wealth by borrowing at high rates of interest while their savings yield much lower interest rates. Unwise debt and large numbers of personal bankruptcies are additional evidence of poor financial literacy (Bell & Lerman, 2005).

Several studies have found that consumer expectations and perceptions are affected by demographic differences as well. In fact, Laroche, Rosenblatt & Manning (1986) found that sub cultural differences are to be a significant factor in the financial services industry, particularly in bank choices. Furthermore, Joy, Kim & Laroche (1991) extended the study by investigating the relationship between ethnicity and consumer behavior and recognized the importance of ethnic influence on consumer behavior in finance industry. Studies even suggested that ethnicity and nationality are some of the strongest motivations when it comes to consumer preference either for domestic or for imported products (Vida & Fairhurst, 1999).

4.2 Economic Nationalism

National prototypes and stereotypes are particularly strong categorizations that often tend to be reproduced in international encounters. Its however important to stress that the construction of an identity and difference is a relationship specific contrastive process. Such comparisons may take different forms in different circumstances; nations tend to see themselves as ‘cultural competitors’ which is reflected as a central role in warfare and sports nationalism. It is also very common to place oneself’ culture and nation in the ‘golden mean’ in comparison to others and generally produce an overly positive view of ones’ competencies (Löfgren, 1993).

Economic nationalism seeks to safeguard domestic resources, industries and people from the control of foreign firms, who are considered to be an out-group. Economic nationalism has therefore an adaption of the ‘us-first’ in the in-group vs. the out-group distinction relating to companies products, jobs and workers (Baughn & Yaprak, 1996). Economic nationalism has been and will continue to be a controversial issue. It has been portrayed in the boycotting of foreign products, purchasing agents denying access to foreign suppliers, executives refusing to sell their business to foreign firms, and governments continuing to set international and investment trade barriers. Which has caused problems for global businesses marketing activities and value chains (Akhter, 2007).

The reasons for economic nationalism is often based on a desire to protect domestic business interest, when a foreign firm comes to a market with better financial resources and
marketing know-how they are perceived as a threat to the domestic business. It is thus a response to the fear of an uncertain future and losing control over domestic firms to foreign firms (Miller, 1990). Increasingly international trade can be perceived as jeopardizing the survival and growth of some domestic firms and to risk the entire nation’s economic well-being (Han, 1988). Another belief is that domestic firms have the home nation’s well-being in mind whereas the foreign firm only care about their own profits. The concept of economic nationalism has thus a specific focus; to preserve the domestic economy from influences of foreign firms (Akhter, 2007).

4.2.1 Multicultural Marketplaces

In this era of multicultural marketplaces where the world economy is becoming increasingly cross-cultural, much studies done to understand how culture influences consumer behavior, which is crucial for both managers and consumer researchers. It is argued that globalization of markets, massive migration waves and advances in communications technology are all impacting consumer tastes and preferences, their information seeking and purchase behavior (Douglas & Craig, 1997).

On the one hand, as barriers within regions come down and consumers and goods move freely across national boundaries the sovereignty of national consumer cultures are breaking down (Douglas & Craig, 1997). Featherstone (1990) argues that it is becoming impossible to isolate different entities based on their own distinctive value-systems, traits and customs. Furthermore, new complex collage of culture is created daily within many countries in which consumers are becoming exposed to the products, lifestyles and behavior patterns of consumers in other countries (Weiner, 1994). Sampson and Smith (1957) label this hybrid culture as ‘worldmindedness’ and ‘worldminded’ consumers are those who favor a “world-view of the problems of humanity and whose primary reference group is mankind”, rather than Americans, Germans, Japanese, etc. Moreover, they value world spirit and consensus development (Gomberg, 1994). Shimp & Sharma (1987) identified certain attributes that relates to worldminded individuals, such as mainly managers who are more frequently exposed to global opinions and are young educated ones are likely to be worldminded.

On the other hand, globalization itself has become a force to redefining cultural boundaries and led to a resurgence of ethnic and nationalist identities that resulted greater market fragmentation (Douglas & Craig, 1997). In particular, the brand of ‘nationalism’ has become an important factor defining how consumers’ nationalistic beliefs and attitudes affect their consumption behavior within specific cultural groupings and customer segments within countries. Nationalistic consumers prefer domestic products to foreign goods and perceive that purchasing imported products is wrong because it hurts the domestic economy, causes loss of jobs and is unpatriotic (Rawwas et al, 1996). Moreover, Shimp & Sharma (1987) suggested that highly nationalistic consumers are older and less educated than low nationalistic individuals.
According to Wang (2005) what is politically, culturally and economically significant in a particular country might become a source of consumer nationalism emergence, including military conflict, foreign policy, colonial history, and tensions in international business and trade activities. It is also important to note that consumer nationalism can be defined as an expression of one’s national identity and as well as a ‘grass-roots movement’ which includes consumer resistance activities encompassing a broad range of social issues such as apartheid in South Africa, Nestle’s infant formula controversy, various corporate environmental and labor practices. Therefore, consumer nationalism presents a threat to multinational businesses’ development, and perhaps most importantly to their corporate reputation, a highly prized and guarded, intangible asset of the corporation (Wang, 2005) see figure 1.

Due to complex nature and characteristics of these two phenomena, worldmindedness and nationalism, understanding cross-cultural consumer behavior has gotten much more challenging in the past decades (Douglas, Morrin, & Craig, 1994).

Nevertheless, these two phenomena also may not be considered as opposite as it seems. If one’s personality trait is associated with love of a country it does not necessarily mean that the person is hostile toward foreign countries or foreigners (Doob, 1964). Research presents that an individual does not have to be either nationalistic or worldminded, rather people may have both characteristics to a greater and a lesser degree (Rawwas et al, 1996).

### 4.3 Previous research on consumer nationalism and worldmindedness

While doing research on our subject topic we encountered several related but conceptually different concepts to consumer nationalism e.g. consumer patriotism, consumer ethnocentrism. Various studies use these concepts interchangeably in the same contexts. Shimp and Sharma (1987) introduced the term ‘consumer ethnocentric tendencies’ to represent beliefs held by (American) consumers about the appropriateness, indeed morality of purchasing foreign made products. They developed a measurement instrument, the Cetscale, to measure consumer ethnocentristic tendencies related to purchasing foreign versus domestic products. Though Cetscale is argued to be conceptually and statistically weak measurement instrument, since its development it has been replicated and validated through numerous studies using samples from cultures around the world (Michael, 2007). In 1991 the first major validity test of the Cetscale was carried out by handing out survey among students.
from U.S., France, Japan, and West Germany. After comparing the results, it was found that Cetscale was indeed reliable and has been used in many studies in many different countries and cultures since then (Netemeyer, Durvasula & Lichtenstein, 1991). There are number of different ethnocentrism scales exist, such as California ethnocentrism scale, British ethnocentrism scale, generalized ethnocentrism scale (GENE) etc. Yet, these scales have very little relevance to the study of consumer perceptions and behaviour. Thus we decided to use Cetscale in our study since it is shown to be a strong valid measurement instrument for predicting consumer buying behavior and attitude towards foreign products (Shimp & Sharma, 1987).

As mentioned earlier the terms of consumer nationalism and ethnocentrism are often used interchangeably. For consistency we use the term consumer nationalism in our research as our research is based on the study of Rawwas et al (1996) which examines two opposing conceptual frames that influence consumer attitude. Furthermore, it seemed the term of consumer nationalism is more suitable to be used in our questionnaire that is designed for the general public as our purpose is basically to shed some light on how consumers infuse national identity when it comes to the country’s banking sector.

Gloabiliation has not taken place in a globally consistent way and not everyone has accepted the idea that globalization is necessarily a good thing. In fact, although measurement of globalization at the supranational and country level has been progressed significantly, at the individual level it has not (Brokaw, Achenreiner & Elfessi, 2007). During the period of post-world war II Sampson and Smith (1957) identified the concept of Worldmindedness (WM) and developed WM scale to measure the degree to which people are able to remove their national biases from decision making and personal interactions. They suggested eight dimensions of the scale: religion, immigration, government, economics, patriotism, race, education, and war.

In examining validation Sampson and Smith correlated the WM scale with an established measure of ethnocentrism and found a negative correlation of .71. In fact, since its establishment the scale has been used in a various way for numerous studies. Number of previous examples determined how can study abroad programs can impact a person’s level of worldmindedness (Prien, 1966; Dotson, Ahmad, & Jean-Pierre, 1988; Boatler, 1990). Among business professionals also worldmindedness research has been popular in for example showing how worldminded attitude can impact professionals doing their jobs, the degree to which they are willing to buy from/ work with people from other cultures etc. (Crawford and Lamb, 1982; Crawford, 1984; Boatler, 1992 and Boatler, 1994). Rawwas and Rajendran (1996) on the other hand looked at the effect of worldmindedness on consumers buying decision process for products from varying countries of origin which goes in line with our study. Moreover as far as we know, concepts of nationalism and worldmindedness in this study have not been used to test their impact when it comes to financial services context, particularly in the banking sector.

Like the concept of nationalism, there are similar but conceptually different concepts to worldmindedness, such as ‘international mindedness’. Sampson and Smith (1957) in fact
differentiated the two concepts from each other; while international mindedness is related to a person’s degree of knowledge or interest in other cultures, worldmindedness reflects person’s frame of reference rather than knowledge and his/her willingness to look past geo-political, national and cultural markers when looking at global issues. Thus we have chosen to focus on the concept of worldmindedness as it fits the needs of this study.

4.4 Cross-Border Bank M&As

While numerous statistics show considerably high failure rates of M&A, why still do banks decide to merge? There appears to be little or no improvement in the post-acquisition operating performance of merged banks relative to industry peers (Berger & Humphrey, 1992), yet bank mergers continue at a rapid pace and an important driver for consolidation has been the removal of geographic and product market entry restrictions which are believed to hold back operating efficiency and bank profitability (Houston, James & Ryngaert, 2001).

‘Economic theory has provided many possible reasons: efficiency related reasons that often involve economies of scale or other ‘synergies’; attempts to create market power, perhaps by forming monopolies or oligopolies; market discipline, as in the case of the removal of incompetent target management; self serving attempts by acquirer management to ‘over – expand’ and other agency costs; and to take advantage of opportunities for diversification, like by exploiting internal capital markets and managing risk for undiversified managers.’ (Andrade, Mitchell & Stafford, 2001, p.103)

In this era of globalization, people are witnessing more and more integrated capital and product markets. Recent years’ reduced trade barriers, transportation costs, along with a development of information and communications technologies, the level of economic integration across national borders have increased significantly (Berger et al, 1999).

4.4.1 Motives for Cross-Border Bank M&As

Cross border merger can be examined from three different theoretical perspectives as a mode of entry in a foreign market, a dynamic learning process from a foreign culture, and as a value-creating strategy. Generally this type of M&A can be motivated when the firm wants to pursue new opportunity to take advantage from or to avoid possible future threats (Shimizu, Hitt, Vaidyanath & Pisano, 2004). In fact, it is argued that the most important market motive of a cross-border acquisition is to use it as a method to enter new markets in new countries (Hopkins, 1999).

Furthermore, maximizing shareholder value is another motive for bank consolidation and generally there are two ways to achieve this value maximization is either by improving the bank efficiency or by increasing the market power in setting price. On the other hand, government may constrain or encourage M&As by changing regulations on consolidations (Berger et al, 1999). Below there will be in-depth discussion about efficiency and market power motives of cross-border bank consolidation and their effect on consumers, since the
aim of the thesis is concerned with consumer perspective rather than organizational perspective.

4.4.1.1 The Efficiency Effect

According to Houston et al. (2001) management’s primary rationale behind the bank M&As is cost efficiency and cost-savings in fact represent the primary source of gains in the large majority of recent bank mergers. There are number of ways to achieve cost efficiency, for instance banks might decrease their average cost by spreading the fixed costs over to a resulted larger size (Focarelli & Panetta, 2003). Cross-border merger can achieve cost efficiency through exploitation of economies of scope or scale which will eliminate the geographical barriers to enter new markets making the consumer base wider. Moreover, greater economies of scale and scope may lead to lower prices, better quality and wider range of products benefitting the consumers. In fact, cross border M&A is argued that it is more beneficial than domestic case because foreign firms transfer so-called cutting edge technologies and better managerial practices to domestic firms that they have merged with or acquired (Evenett, 2003).

Another gain from cross-border consolidation is revenue efficiency. As there are consumers who prefer or need the services from larger banks, the revenue scale economies may arise from consolidation. Large wholesale consumers may for example need loan facilities or issue public debt that only large banks may be able to provide, however it is important to note that some consumers may favour more personalized or relationship-based services often associated with small banks, which may then create revenue scale diseconomies (Berger et al, 1999). Furthermore, revenue efficiency can come from cross-selling of different financial services where merger partners offer their financial services to each other’s existing clients, as a result reducing the consumer search and transaction costs. However, it is important to note that joint producers may confuse their consumers with conflicting appearance such as when combining investment banking with commercial banking (Berger et al, 1999). In addition, Rajan (1996) states that revenue efficiency in consolidation may arise from sharing a well-known brand name, ‘for instance if a universal bank levered off its reputation built in commercial banking when forging a stronger reputation in investment banking, or vice versa’. (cited in Berger et al, 1999)

4.4.1.2 The Market Power Effect

Berger et al (1999) argue that market power effect of cross-border M&A is less evident than within-border M&As, in a sence that consumers are not directly affected by it. Yet, they discuss three possible ways of how cross-border consolidation may exercise market power over consumers. First, increased cross-border M&As may lead to an increased within-border M&As to protect from and/or compete with the possible threat of cross-border M&As. Then the resulted higher market concentration will raise market power in charging higher prices for consumers (e.g., lower deposit rates, higher loans rates) on retail financial services (Berger et al, 1999).
On the other hand, Berger et al (1999) propose other important factors in exercise of market power other than the local market concentration. One of them is the banks’ tendency to charge uniform prices across different geographic markets in which they operate may occur because of fairness, simplicity or other purposes. Finally, cross-border M&As may actually reduce exercise of market power enhancing the competition of domestic banking markets. As efficient foreign banks enter the market and provide services at more favourable prices, inefficient domestic banks will start to change their pricing strategy (e.g. uniform pricing). Domestic banks will strive to improve their efficiency to compete and prevent foreign ‘entries’ by offering their services at lower prices (Berger et al, 1999). ‘Moreover, cross-border competition argued as to lead prices to converge and fall to the level of the lowest cost producers and in fact, creation of a single market for financial services in the EU is an important test of this phenomenon and it will more likely to increase the competition in the banking sector of nations in continental Europe.’ (Berger et al, 1999) ‘It has been suggested that market power over consumers may have declined in recent years because of an increase in the degree of contestability of financial services markets and new technologies for delivering financial services, but the empirical evidence on this issue is mixed.’ (Berger et al, 1999)

4.5 Summary of theories

The frame of reference of the research study is created in order to guide both design and analysis of our empirical study. In a broader context we want to look at internationalization process in the banking sector from the eyes of consumers, particularly at cross-border M&A activities among banks as they are the main drivers of this process. There can be several reasons behind cross-border M&As such as removal of geographic restriction, economies of scale to increase efficiency (cost and/or revenue efficiency,) creation of market power, opportunities to expand and diversify. While we are doing research on cross-border M&As, we came across so many facts that led us to believe that this is a trend that is going to continue for a long period of time. Yet, we found a lack of research done in the consumer perspective towards this trend and as we looked into consumer theories we found two opposing consumer views; consumer nationalism and worldmindedness. We believe these two can be applied specifically on the banking sector to measure the consumer attitude towards the internationalized banking sector.

In short, consumer nationalism refers to the favorance for domestic products/services only, while worldmindedness refers to world-view of problems rather than a national view. The collected theories will hopefully give us a solid base for the empirical study; to measure Swedish consumers’ attitudes using concepts of consumer nationalism and worldmindedness using the Cetscale. Moreover, we have established two competing hypothesis from these theories which we will evaluate with the help of our empirical data in order to fulfill the purpose of this study.
4.6 Hypotheses

The theories of economic nationalism and cross-cultural consumer behaviour in this study apply to general context, and as far as we know never been applied to the financial service industry. So we have deduced our hypotheses from these general theories and will test these hypotheses whether or not they apply to the financial context, particularly on the banking sector. In other words, we identified two factors: consumer nationalism and worldmindedness that might or might not influence consumer perspective in choosing a bank.

H₀ Consumers are perceived to have a nationalistic general attitude and thus will prefer national banks.

 Consumers are perceived to have a worldminded general attitude and thus will have no specific preference for a bank nationality.

H₁ There is no significant association between a person’s general attitude and a person’s bank attitude.

We will test the relevance of our hypotheses by testing the correlation between nationalistic consumer tendencies and nationalistic bank partiality. Likewise we will test the correlation between the consumers that are perceived to be worldminded and positive towards globalization and thus has no specific inclination for a bank nationality. If we fail to see any correlation between these cases we will draw the conclusion that there is no linkage between a person’s attitude on globalization and nationalization the like, and the specific preference for bank nationality.

4.7 Analytical model

Figure 2 (Our own analytical model derived from the frame of references)
The matrix (see figure 2) shows how we will analyze the collected data from the Jönköping consumers, which we will then generalize for the Swedish consumers. We start with the Swedish consumers attitude which is our population and from there on we will establish if the consumer is worldminded or if the consumer has a nationalistic tendency or if default the person has no tendency for either direction, thus the person has no preference.

Then, after the first general attitude test we will see where the consumer falls within their bank preferences and then we have three further options to fall within, the worldminded attitude, no preference attitude and the nationalistic attitude towards the internationalization of banks. So in relation to our null hypothesis this would mean that a Swedish consumer with a worldminded attitude in general would have either worldminded bank attitude or no preference bank attitude. This can be seen with the boxes marked purple in figure 2. If the Swedish consumer has no preference on the general attitude the response could be the same as before, the bank attitude can be either worldminded or no preference.

On the other hand if the Swedish consumer has a nationalistic attitude in general the respondents bank attitude should be nationalistic for us to be able to accept our null hypotheses. If the respondent don’t answer according to this model we must reject the null hypotheses and instead accept the alternative hypotheses.
5 Methodology

The methodology section will introduce the reader to the systematic study of methods that have been applied within the research study in order to find out the Swedish consumers’ attitudes towards the internationalization of banks.

5.1 Deductive research approach

The chosen research approach for the study is the deductive approach, where we try to explain causal relationships between variables by testing theory and the collection of quantitative data. Since we are trying to explain a causal relationship between variables this study is of an explanatory nature (Saunders et al, 2007).

The established hypotheses are based on the collected theory and will be tested by collecting a quantitative data. Deduction dictates that the researcher should be independent of what is being observed it also dictates that the research should be administrated in a way that enables facts to be measured quantitatively. The hypotheses will be tested and confirmed, in whole or part, or refuted, leading to a further development of theory which may be tested by further research (Saunders et al, 2007).

5.2 Sample selection

Due to a lack of resources, we are using a convenience sampling method, which is a non-probability sampling method. It involves haphazardly selecting the samples that are easiest to obtain from the chosen location. The sample selection process is prone to biases since the most likely only the easiest samples available will be obtained for the study which therefore may not be representative for the entire population (Saunders et al, 2007). A researcher can merely stand out on his/her favorite street corner or in his/her favorite tavern and hand out the surveys. The primary problem with convenience sampling is that you can never be certain what population the participants in the study represent.

The criteria for the sample respondents is to be a Swedish citizen, since we are testing for Swedish nationalistic tendency versus worldmindedness tendency. If we would include other nationalities the result would clearly be biased since nationalistic tendency is based on the assumption that the consumer favours domestic products/services over foreign products/ services. Thus if a respondent has a different nationality than Swedish he/ she would find Swedish products/ services as foreign.

We will hand out the questionnaire at different downtown locations in Jönköping and let the respondents fill in the questionnaire by themselves, and immediately afterwards collect the questionnaires. We picked busy locations in the central Jönköping; the School of Education cafeteria, the A6 center mall which we visited at two different occasions. Once at a Thursday noon and once at a Saturday afternoon. We also visited IKEA at a Saturday afternoon. Every third person walking by was picked from the various locations (Cross, Jones, Walsh, Simone & Kolko, 2007). However, not every third person was interested to
fill in the questionnaire and we continued still by taking the next third person after the previous one. This was to limit our sampling bias which would ensure that the respondents are not related to each other since the respondents from the same family or social network may have similar attitudes.

5.3 Sample size and generalizability

The final characteristics of deduction is generalization, which is why it is important to collect a sufficient amount of samples. The larger the absolute size of the sample the more closely its distribution will be to the normal distribution. This relationship is known as the ‘central limit theorem’ which occurs even if the population from which the sample is drawn is not normally distributed. A sample size of 30 or more will usually result in a sampling distribution for the mean very close to a normal distribution. It is therefore the rule of thumb for the smallest number in each category within the overall sample (Saunders et al, 2007). As we are conducting a quantitative study with a questionnaire, there should be five respondents for each question as the ‘rule of thumb’ says. Thus the 15*5=75 respondents will enable us to fulfil the purpose of the study (Patton, 2002).

Our chosen population is Sweden which had a total population of 9,182,927 people in 2007-12-31, with the proportion of 4,619,006 females (50.11%) and 4,563,921 males (49.99%) (see figure 4). Of them 23% had Secondary education as their highest obtained educational level, while 44% had finished their Upper-secondary education, and finally 30% had finished University (see figure 6) (Statistiska Centralbyrån, 2007).

5.4 Questionnaire

The advantages of using a questionnaire are that it is a good way to find out the attitudes, thoughts and behaviours of a large group of people. The confidence in generalizing the findings is higher than those from a case study. Though the disadvantages of using a questionnaire or the potential problems associated with questionnaire can be the wording of a question can actually change how people answer the question, and therefore it’s very important to have the exact wording of the question when analysing the results of the survey. Other issues may be to get an actual sample representative of the whole Swedish population (Saunders et al, 2007).

There are three types of data that can be collected through questionnaires; opinion, behaviour and attribute. Opinion variables record how respondents feel about something, or what they think or believe is true or false (Dillman, 2000). In contrast data on behaviours and attributes record what respondents do or are. Attributes are best thought of as things a respondent possesses rather than the things the respondent does (Dillman, 2000). Furthermore, attributes are used to explore how opinions and behaviour differ between respondents as well as to check that the data collected are representative of the total population. Attributes include characteristics such as sex, age, marital status, education, occupation and income (Saunders et al, 2007). We are in this study not interested in what the respondents does but what their opinion is, thus what they feel, think or believe. We have the
attribute questions such as age, sex and level of education in our questionnaire to make sure that our samples are representative for the population and therefore limit some of the biases created from the convenience sampling.

5.4.1 Questionnaire design

Likert-type scale has been chosen in our questionnaire since we want to collect the respondents opinion, through a series of declarative statements. In the Likert-type scale, the respondent is asked to indicate whether he agrees or disagrees with each statement (Edwards, 1957). This type of scale is often used to measure attitude providing a range of responses to the given statements. The response categories in Likert scales have a rank order (Cohen, Manion & Morrison, 2000). Attitude scales do not need to be factually accurate, they simply need to reflect one possible perception of the truth. Respondents will be answering to the feelings which each statement triggers in them not the actual accuracy in each item (Dyer, 1995). It should also be taken into account that this type of scale is not developed to provide any kind of diagnostic information that shows underlying issues of concern to the individual respondent (Gall, Borg & Gall, 1994). The simplicity and the ease of use are the real strength of the Likert scale; respondents often think the scale looks interesting and people often enjoy completing a scale like this (Neuman, 2000). Some of the problems with Likert scale is: the order effect, the central tendency, and pattern answering. The order effect relates to the tendency to tick the boxes to the left, the central tendency relates to the reluctance to answer any extreme positions. To overcome these issues the questions should not follow a pattern, be short and consistent (Brace, 2004). Plus by having conflicting answers, we hope to minimize biases.

The questionnaire of this study consists of various contradictory statement questions so that it can control the consistency in the respondents answers. Each question belongs to either nationalistic tendency or worldminded tendency on a scale of one to four, with an extra box if the person ‘do not know’ the answer. The first part of the questions refer to the person’s general attitude towards globalization and the second part refers to his/her specific attitude towards the internationalization in banking sector. The respondents will according to their answers be divided first into either nationalistic or worldminded consumers, and afterwards be divided into either bank nationalistic or bank worldminded consumers. By checking if there is a significant correlation between the answers from both parts, the established hypotheses of the study will be tested.

The general attitude questions are derived from the original study of consumer ethnocentric tendencies and its measurement tool Cetscale developed by Shimp & Sharma (1987). We have selected 10 out of 17 questions from Cetscale which seemed the most relevant to our study to increase the response rate and have been translated into Swedish to be able to administer to the general public.
5.4.2 Pilot study

The term ‘pilot studies’ refers to a so-called feasibility studies which are mini versions of a full-scale study (Polit, Beck & Hungler, 2001). It refers as well to a specific pre-testing or ‘trying out’ of a particular research instrument such as questionarie or interview (Baker, 1994:182-3). By conducting pilot studies the researchers can get an advance warning about where the main research project could fail, where research protocols may not be followed, or whether proposed methods or instruments are inappropriate or too complicated (Teijlingen & Hundley, 2001).

In order to test the validity and reliability of the questionnaire, we performed a pilot study among ten randomly selected respondents from the JIBS cafeteria. The questionnaire has been administered to pilot subjects exactly the same way as it will be administered in the main study. We asked their feedback to identify any difficulties they had in understanding the questions or answering in them. Overall we received positive feedbacks on the format and design of the questionnaire. Moreover, we assessed the time taken to complete the questionnaire and the result was approximately 5 min which we thought to be reasonable. We as well checked if all the questions are answered in order to examine if the changes needs to be done on that specific question. There were no questions that have been left blank as the respondents had no trouble in understanding them, we decided not make changes on the wording or form of the questions. Though some of them found the scale to be bit confusing. So, we asked Thomas Holgersson (personal communication 2008-11-20), an Associate Professor Statistics at JIBS to look at the questionnaire and he also said that there should some small changes in the scale layout. We therefore made a change according to his suggestion by adding the ‘I don’t know’ box in the scale which was clearly placed separate from rest of the boxes. In addition, we analyzed the results from the pilot study and checked if there any biases such as consistency in their pattern of answering. Yet, we found that there was no sign of pattern answering.

5.5 Analytical tools

5.5.1 Mean value

For a data set the mean is the sum of the observations divided by the number of observations. The sample mean makes a good estimator of the population mean, as its expected value is the same as the population mean (Hardy, Littlewood & Pólya, 1988).

5.5.2 Spearman Rank Correlation Coefficient

The most frequently used nonparametric measure of correlation between two variables is the ‘Spearman Rank Correlation Coefficient’ with the correlation coefficient $r_s$. The correlation coefficient satisfies the usual requirement of correlation measures. It is equal to 1 when the variables $X$ and $Y$ are perfectly positively correlated, that is, when $Y$ increases, $X$ increases and vice versa. Its equal to 0 when there is no relation between $X$ and $Y$. Values
between 0 and 1 gives an relative indication of the degree of association between X and Y (Aczel, 2006).

### 5.5.3 Standard Deviation

The variance of a set of observations is the average squared deviation of the data points from their mean. When our data consists of a sample, the variance is denoted by \( s^2 \), and the average is done by dividing the sum of the squared deviations from the mean by \( n-1 \). The standard deviation of a set of observations is the (positive) square root of the variance of the set. The variance is the averaged squared root of the mean. It is squared because if we just compute the deviations and then averaged them, we would get zero. Therefore, when seeking a measure of the variation in a set of observations, the deviations are squared from the mean. This removes the negative signs and thus the measure is not equal to zero. The measure we obtain (the variance) is still a squared quantity. It is an average of squared numbers and by taking the square root we un-square the quantity. A large standard deviation indicates that the data points are far from the mean and a small standard deviation indicates that they are clustered closely around the mean (Aczel, 2006).
6 Analysis

Our variables are all discrete; they can only take whole numbers. We will place scores on the respondents answers; if their answer are world minded they will receive a positive score of either one (+1) or two (+2), if their answer is nationalistic they will receive a negative score of either one (-1) or two (-2). When they don’t agree nor disagree with a statement they will receive a score of zero. We hope with this method we will eliminate the respondents that answers contradictory since their score will be closer to zero, and will be grouped together with the other respondents that also have no preference for either direction.

Our sample consisted of 76 respondents which represented 91.5% of the sample population of 85 respondents. The non-responsiveness was 8.5%. Two surveys were filled out by foreigners, and since we limited our study to Swedish citizens those surveys were discarded. Though for one of the foreign respondent, the result was similar to the Swedish consumers, the respondent had no specific preference on the general attitude but on the attitude towards the internationalization of banks the respondent showed a nationalistic attitude. For the second foreign respondent the result was unclear since too many boxes were unticked and we could therefore not make any sense of the respondents’ attitude.

The other non-responses were discarded because they chose not to answer more than three questions in either the general attitude test or the bank attitude section. We reasoned that we could not make proper attitude test when we did not have enough answers. An interesting observation can be made from the non-respondents, as all of them but one is in the age group 0-19. Thus the reason for non-responsiveness can be related to age and the questions may simply have been too difficult for the younger respondents.

When checking for the data distribution on attributes, we find that they have a good spread and could be somewhat representative for the whole Swedish population. As can be seen in figures 3-7 below, the attribute distributions were: 51% females, 49% males (figure 3) and the educational level of respondents’ highest obtained educational level was: 25% university, 54% upper-secondary school and 21% secondary school (figure 5). For the age groups the distribution of respondents were: 6% 0-19, 24% 20-29, 20% 30-39, 21% 40-49, 12% 50-59 and finally 17% 60+ (figure 7).
Figure 3 (Result from the survey study)

Figure 4 (From SCB 2007)
Figure 5 (Result from the survey study)

Figure 6 (From SCB 2007)
6.1 Questionnaire analysis

As can be seen in table 1 below, the mean values on the general attitude questions are higher/lower than on the bank attitude questions. Moreover, for the standard deviation values the general attitude questions the respondents shows a greater variance in answers than on the bank attitude questions where the answers are more in line with each other.

We can see that the respondents are seldom consistent in their answers and have a great variance, especially on their general attitude questions and the question that stated ‘a foreigner would take equal responsibility for their money as a Swedish person would do’. Yet, for the rest of the bank attitude questions the respondents agreed with each other overall. To explain the reason for this is very hard especially when measuring the person’s attitude the underlying issues are not clear and we therefore cannot draw any conclusion from this result (The original questionnaires that are handed out to respondents are to be found in the appendix).
<table>
<thead>
<tr>
<th>Questions</th>
<th>The Question</th>
<th>Mean Value</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worldminded</td>
<td><em>I prefer</em> imported goods before Swedish produced goods.*</td>
<td>-1.357</td>
<td>0.415</td>
</tr>
<tr>
<td></td>
<td>All states should <em>disappear</em> to be replaced by <em>one</em> world state</td>
<td>-1.534</td>
<td>0.474</td>
</tr>
<tr>
<td></td>
<td>My standard of living would <em>improve</em> if more imported goods were made available to me.</td>
<td>-1.030</td>
<td>0.306</td>
</tr>
<tr>
<td></td>
<td>From where a good have been produced have <em>no impact</em> on my spending habits.</td>
<td>-0.653</td>
<td>0.181</td>
</tr>
<tr>
<td></td>
<td>I would <em>prefer</em> to be a <em>citizen of the world</em> than to be a citizen of a <em>specific country.</em></td>
<td>-1.236</td>
<td>0.375</td>
</tr>
<tr>
<td>Nationalistic</td>
<td>Swedish people <em>should not</em> buy imported products since it has a <em>negative impact</em> on the domestic firms.</td>
<td>0.640</td>
<td>0.250</td>
</tr>
<tr>
<td></td>
<td>There should be <em>very little</em> trade between countries except the necessities.</td>
<td>1.054</td>
<td>0.388</td>
</tr>
<tr>
<td></td>
<td><em>Real Swedes</em> buy Swedish products.</td>
<td>1.434</td>
<td>0.515</td>
</tr>
<tr>
<td></td>
<td>I consider myself to be a patriot.</td>
<td>0.667</td>
<td>0.185</td>
</tr>
<tr>
<td>Bank Worldminded</td>
<td>I think a foreign person would take <em>equal amount of responsibility</em> for my money as a Swedish person would do.</td>
<td>0.810</td>
<td>0.605</td>
</tr>
<tr>
<td></td>
<td><em>I prefer</em> big international banks.</td>
<td>-0.946</td>
<td>0.111</td>
</tr>
<tr>
<td>Bank Nationalistic</td>
<td><em>I prefer</em> small local banks</td>
<td>-0.563</td>
<td>0.045</td>
</tr>
<tr>
<td>Bank Worldminded</td>
<td>I believe that international banks are <em>cheaper</em> to me as a customer.</td>
<td>-0.678</td>
<td>0.002</td>
</tr>
<tr>
<td>Bank Nationalistic</td>
<td>Swedish banks have a <em>safe standard</em> that you can trust.</td>
<td>-0.629</td>
<td>0.018</td>
</tr>
<tr>
<td></td>
<td><em>I do not</em> think international banks should buy Swedish banks</td>
<td>-0.544</td>
<td>0.053</td>
</tr>
</tbody>
</table>
6.2 Testing the hypotheses

We decided to count the person’s mean value and divide them into groups. For the person with a mean value between \(-2 < -0.5\) is considered to be a nationalistic, a person with a mean value of \(-0.5 \leq 0.5\) to have no preference and finally a person with a mean value of \(0.5 < 2\) to be worldminded. We first counted the general attitude results and found that 11.8\% (9 persons) are worldminded, 64.5\% (49 persons) have no preference and 23.7\% (18 persons) are nationalistic in general attitude. For the attitude towards the internationalization of banks, we did the same procedure and found that 9.2\% (7 persons) are worldminded, 26.3\% (20 persons) have no preference and 64.5\% (49 persons) are to have nationalistic attitude. The result can be seen in figure 8 below.

On average the general person has an average attitude score of minus 0.11099 which is very close to zero. What we would conclude from this is that the general person has no preference attitude for neither extreme of nationalism nor worldmindedness, but is instead in the middle of the two. For the attitude towards banks on the other hand the average person has a score of minus 0.66447 which is if rounded down closer to ‘minus one’ enabling us to conclude that the average person has an attitude tendency towards ‘bank nationalism’.

![Figure 8](Result from the survey study)

As a conclusion from the discussion above we rejected our null hypothesis since there could not be found a significant association between the two attitude tests. Using Spearman Rank Correlation Coefficient we tested the correlation between the two attitude test. Spearman Rank Correlation Coefficient is a good test to perform when the study wants to analyze ranking questions. Our critical value is on a 10\% level (\(\alpha=0.01\)) 0.432 and our standard normal variable \(z\) is 3.2649 which is in the rejection area (see appendix for calcula-
tions). We therefore reject our null hypothesis and conclude that there is no significant association between the general attitude and the bank attitude.

We wanted to see the consumers’ attitude towards the globalization of banks, moreover could there be an association between the consumers’ general attitude and their attitude towards the internationalization of banks? We stated a hypothesis and claimed that if a person was worldminded they would have an positive attitude towards the internationalization of banks since a worldminded person would not care if the bank had a Swedish or other nationality or even a multinational bank. On the other side of the spectrum, the opposing view exists where a nationalistic person would prefer a domestic bank over a foreign bank or multinational bank, and would actually care about the bank’s country of origin.

We found quite the difference; thus we rejected our null hypothesis and accepted our alternative hypothesis which states there is no significant relationship between a person’s general attitude and bank attitude on internationalization. The answers were all over the spectrum. For example, a person could be nationalistic on the general attitude test, but be very strongly worldminded on the bank attitude questions and vice versa. The variances (standard deviation) were very different from case to case and we conclude that on average the general person have a no preference attitude, and on the bank attitude questions the average person had a more nationalistic view, which goes against our null hypotheses therefore we cannot accept our null hypotheses.

We therefore created a new model based on the study result (see figure 9). As can be seen, there is no relationship between a person’s general attitude towards globalization and his/her attitude towards the internationalization of banks.

![Figure 9 (The model based on our study result)](image-url)
6.2.1 Age

From the sample frame we picked the data of oldest 25% and the youngest 25% to test Shimp and Sharma’s (1987) theoretical assumption of age which states that an older person has a stronger tendency to be nationalistic and younger person has a stronger tendency to be worldminded. In our results the older respondents had an average score for the general attitude questions of closer to zero (-0.00515) which tells us that they do not have a specific preference for either way. On the bank questions, on the other hand, they had the average score of -0.72778 which is closer to -1 showing a tendency towards bank nationalism. The younger respondents’ score for general attitude test was -0.04531 which is also close to zero, but in contrast to older respondents on the bank test they showed a score of equal to zero which tells us that they do not have any preference for bank nationalities.

The two different age groups (age of 0-29 in contrast to age of 50+) had an average attitude with no preference for neither direction, on the bank attitude they responded somewhat according to the theory though. The older age group had a nationalistic tendency but the younger age group had a perfect score of zero; thus no preference. This does not necessarily mean that all the young respondents answered close to zero, in fact the variance between their answers was great and that the respondents had attitudes in all directions. But on average they had no preference.

Based on the theory of Shimp and Sharma (1987) we reason that these results could be that the older person may be more protective about their money and savings since the saving horizon towards retirement is much shorter than the younger person. This may very well have an impact on their financial behaviour; the older person will be more protective and less risk prone since the risk of losing their life savings would have a bigger impact on their living standards than for a young person who is about to create their wealth and thus have the possibility to ‘gamble’. The risk of losing would not have the same impact on the young person’s living standard, would they lose their wealth they would still have time to retrieve it since they are still in working age for many years.

6.3 Final analysis

To finalize our analysis, our result suggests that Swedish consumers have in fact nationalistic attitude when it comes to internationalization of banks and the underlying reasons for this can be different. For instance, global banks may offer a broad range of financial services, ability to facilitate large deals, and superior stability. However, consumers may still want to choose a small domestic banks because they are familiar with them, and domestic banks may be more focused on to establish a close personal relationship with consumers so that they can better tailor their services to the consumers’ specific financial needs.

Another reason could be that consumers may simply feel more nationalistic and protectionist when it comes to management of their financial assets. They may trust domestic banks more because they simply perceive the domestic banks to be better because of the strong country of origin stereotype and also they may believe that they should support domestic banks so as to not hurt the national economy. Therefore to analyze, even if it seems
the future will bring us an increasingly globalized financial market the feelings of nationalism or protectionism seem to always exist at some level within the individual consumer attitude. It is hard to predict how broad or influential the impact of this ‘feeling’ would be, yet we believe that this may be a never-ending counterforce to the future of globalized banking sector.

Nevertheless from the consumer point of view it is important to be aware that increased cross-border bank M&As could result fewer banks and higher market concentration where banks may exercise their market power to increase the price for the consumer. Therefore in order to balance this power it is vital for consumers to take an active role. Taking an active role does not mean that the consumer should choose only domestic banks to protect the national welfare, but rather it means to choose the bank that has the best products/services for the most competitive price. From cross-border M&As banks in fact may achieve efficiency gains and these gains may transfer to consumers in the form of lower prices, increased range of products and/or higher quality. For consumer to be able to recognize these benefits, financial literacy becomes essential to make the right choice that fits his/her personal financial needs.

In our opinion, as the world is becoming more globalized, and when the banks are offering broad range of complex products/services, financial literacy has become something that is of a great importance. As a matter of fact, since the world is becoming more interlinked what happens around the globe have a tremendous impact on our daily lives. Moreover, the average person has to be able to make wise financial decisions, as both retirement funds and personal savings is now a private responsibility. Unwise debt and large numbers of personal bankruptcies are additional evidence of poor financial literacy (Bell & Lerman, 2005).

6.3.1 Reliability and validity

Internal validity refers to the ability that the questionnaire is measuring what it is intend to measure. This means that what we find with our questionnaire actually represents the reality of what we are measuring. There are criteria that should be considered when creating a questionnaire. A first criterion is whether the questionnaire provides adequate coverage of the investigative questions; has enough questions been asked to give a full picture of the reality. The second criterion is whether or not the question will make accurate predictions, such as ‘is this question asked in a way that will give accurate predictions’. Such a question can be asked by using correlation or by having similar questions in the questionnaire which you can compare the results to (Saunders et a, 2007). Since the result showed a correlation in the attitude groups but not in between the two separate attitude tests, we conclude that the respondents answered accurately.

Reliability refers to consistency, which means that respondents may interpret a question in a different way than it is intended. As a consequence the question has no internal validity. Reliability is therefore concerned with the robustness of the questionnaire and especially whether or not it will produce consistent findings at different times and under different circumstances; such as with different samples. There are a few things a researcher can do to
assess reliability, such as test re-test, internal consistency and alternative form (Saunders et al, 2007). As we had a response rate of 91.5% we conclude that the respondents understood the questions and this proves face validity of the study. Furthermore since the results from our pilot study and the final study showed no real difference, there is thus no sign of biasness.
7 Conclusion

The purpose of this study was to find out how the Swedish consumers’ attitude towards the increased trend of cross-border M&As and the internationalization of banks. We have fulfilled the purpose by establishing two contra hypotheses from the theories of consumer nationalism and worldmindedness and by conducting a survey study among the chosen samples.

As far as known, both theories of consumer attitudes and the Cetscale have never been applied or used in the banking sector and our hypothesis is established to check the applicability. The null hypothesis has been rejected, meaning that there is no direct relationship between the person’s general attitude towards internationalization and the attitude towards the internationalization of banks. The findings suggests that average consumer has a no preference attitude towards globalization in general but has a nationalistic attitude when it comes to globalization of the banking sector. Furthermore, average consumer prefer domestic banks which they believe they can trust more than global banks and they would not be comfortable if foreign banks would acquire Swedish banks.

We can argue that banking sector may never become fully globalized even within these days of furious pace of cross-border bank M&As around the globe. It is certain that cross-border bank M&As have different advantageous effects of on the banks and their efficiency and profit. However, it is not entirely clear what kind of effects this trend might have on consumers, may it be decreased price, increased quality and range of services or vice versa. One thing our findings support is that the consumers’ attitude towards the trend of cross-border bank M&As can be tricky; even if the trend will result a decreased price and increased quality for consumers, there may exist different factors that can have a significant impact on the consumers’ attitude towards this trend. As being one of the main features of financial market globalization, the cross-border M&As between banks encounter same counterforce that globalization itself stumble upon: consumer nationalism, where the person tends to have strong nationalistic view.

Foreign banks that are merging with or acquiring Swedish banks therefore should be aware of the fact that at the country or the consumer level there could be desire to protect domestic banks from international banks. In fact they may be considered as a threat to the domestic banks and the nation’s economic well-being. Therefore it is vital for foreign banks to focus not only on the gains that they will achieve from entering Sweden, but also the benefits they will deliver to the domestic economy or to consumers by entering the country. Because if the foreign banks can not convince the consumer or government that they not only care about their own profits but also they offer various benefits for them, banks may face problems like boycotting or governments setting international and investment trade barriers which has caused many challenges for global businesses.
7.1 Discussion

What one has to consider while doing this study is that the world is in a recession and people may be more careful and feel that their ‘own backyard’ feel safer than the ‘foreign market’ which is currently going through a turmoil. Our results may have been very different if the world economy going through a ‘boom state’.

Another issue worth mentioning is that Sweden has never been experienced a major cross-border bank M&As and thus there may be lack of opinion towards the subject matter. The result therefore may have been very different if applied to a different population, such as the Dutch or the British population which has recently been exposed to one of the largest takeovers in corporate history. Most probably the Dutch people who saw their largest retail bank to be acquired by the Royal Bank of Scotland may have much more strong attitudes towards cross-border M&As.

From above arguments, we think there are some things we could have done differently if we would re-do this study. First of all, we would want to take into account whether the population of the study has been exposed to major cross-border M&As within the banking sector. Other things that could have been added to ensure the validity of our study result would be to re-test the study on equal scale but on a different occasion, such as when the recession has passed and people are starting to recover confidence in the financial market.

Moreover, it could be interesting to see the result of this study but to exchange the banking sector with another industry since the financial issues may represent something difficult and very important aspect in every person’s life. Checking a relationship between the person’s general attitude and the attitude towards a different, less important industry’s internationalization aspect could be interesting since it could reveal a very different result. If say we test what people thought about the Swedish paper industry being bought by foreigners or merged into different multinational corporations. Maybe the average person would not be as protective and nationalistic, since it wouldn’t touch upon every person’s life as a same way as financial issue does.

Finally it is important to acknowledge the fact that even if Swedish consumers have never been exposed to a foreign bank acquiring a big Swedish bank, trend of cross-border bank M&As should not trusted to be excluded from Sweden. As the facts for cross-border bank M&As trend as continuous phenomena is evident, we assume that it will sooner or later reach the shores of Sweden.
References


Miller, A (1990). What is managed trade and will it work. *Newsweek.* March 5, 26.


Appendix

SPSS Results

Spearman Rank Correlation

Table 2

<table>
<thead>
<tr>
<th></th>
<th>VAR00001</th>
<th>VAR00002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td>( r_s = 0.377 )</td>
<td>( \alpha = 0.01 ) (10% level)</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>0.377*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>76</td>
<td>76</td>
</tr>
</tbody>
</table>

A large-sample test statistic for association is:  
\[ z = r_s \sqrt{n-1} = 0.377 \sqrt{76-1} = 3.2649 \]

Critical value: 0.432 < 3.2649 and thus the test statistic is in the rejection area. We therefore cannot conclude that there is a significant correlation between the variables.
Questionnaire

Vi är fjärde års studenter på Internationella Handelshögskolan i Jönköping. Detta är en del av vår kandidatuppsats inom Internationell Management och skulle vara taeksom att ni hjälpte oss genom att svara på frågorna nedan. Resultatet av denna undersökning kommer att sammanställas i vår uppsats, om ni är intresserad att ta del av slutresultatet fyll gärna i er e-mailadress i slutet av enkäten. Studien är självklart anonym.

Tack för att ni vill medverka i denna studie!

Var vänlig kryssa för det alternativ som passar Er bäst.

1. Kön: Man □  Kvinna □

2. Ålder: 0-19 □  20-29 □  30-39 □  40-49 □  50-59 □  60+ □

3. Avslutad utbildning:
   Grundskolan □  Gymnasiet □  Högskolan □

4. Svensk medborgare: Ja □  Nej □  Nationalitet:.........................

Markera nedan hur väl du håller med följande påståenden, på en skala från där du helt stämmer överens med påståendet till där du inte alls stämmer överens påståendet.
5. Jag föredrar importerade varor framför Svensk producerade varor. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

6. Alla statsmakter borde förvinna för att ersättas av en världsstat. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

7. Min levnadsstandard skulle förbättras om jag fick tillgång till mer importerade produkter. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

8. Var någotstås en vara blivit producerad har ingen betydelse för mina inköpsbeslut. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

9. Jag skulle förbättra att vara medborgare av världen än en medborgare av ett specifikt land. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

10. Svenskar borde inte handla importerade produkter eftersom det förstör för de inhemska företagen. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

11. Det borde finnas något likt lite handel mellan länder förutom av nödvändiga varor. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

12. Riktiga Svenskar köper svenska produkter. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

13. Jag anses mig vara patriotisk. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

14. Jag tror att en utländsk person skulle ta lika stort ansvar för mina pengar som en svensk person. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

15. Jag föredrar stora internationella banker. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

16. Jag föredrar små lokala banker. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

17. Jag tror att internationella banker är billigare för mig som konsument. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

18. Svenska banker har en säker standard som man kan lita på. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |

19. Jag tycker inte att internationella banker skall köpa svenska banker. | □ 2 | □ 1 | □ 4 | □ 2 | □ 4 |
Läs gärna igenom så att ni inte missat någon fråga. Tack än en gång för hjälpen! Undersökningen är helt anonym men om ni skulle vilja ta del av resultatet får ni gärna fylla i er e-mailadress så skickar vi slutresultatet av studien.

This is the translated version of our survey, please do not analyze that statements since the translation may not be perfect and is simply a way for someone that does not speak Swedish to be able to grasp what our survey was about.

Thank you for participating in this study!

Please mark the option that suits you best.

1. Sex: Male □ Female □

2. Age: 0-19 □ 20-29 □ 30-39 □ 40-49 □ 50-59 □ 60+ □

3. Highest level of education:
   Secondary School □ Upper Secondary School □ University □

4. Swedish citizen: Ja □ Nej □ Nationality:......................

Please mark how well you agree with the following statements, on a scale from where you strongly agree with the statement to where you strongly disagree with the statement.
5. I prefer imported goods before Swedish produced goods.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

6. All states should *disappear* to be replaced by one world state.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

7. My standard of living would *improve* if more imported goods were made available to me.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

8. From where a good have been produced have *no impact* on my spending habits.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

9. I would *prefer* to be a *citizen of the world* than to be a citizen of a *specific country*.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

10. Swedish people *should not* buy imported products since it has a *negative impact* on the domestic firms.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

11. There should be *very little trade between countries except the necessities*.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

13. I consider myself to be a patriot.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

14. I think a foreign person would take equal amount of responsibility for my money as a Swedish person would do.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

15. I prefer big international banks.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

16. I prefer small local banks.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

17. I believe that international banks are *cheaper* to me as a consumer.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

18. Swedish banks have a *safe standard* that you can trust.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>

19. I do *not* think international banks should buy Swedish banks.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ 2</td>
<td>□ 1</td>
<td>□ 0</td>
</tr>
</tbody>
</table>
Please read through your answers so that you haven’t missed a question. Thanks again for your help. The study is completely anonymous but if you would like to take part in the results please write your email address down below and we will send the results to you.

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Tsolmon & Kristina