EU Market Monitoring Survey: Analysis of Loans, Credit and Credit Cards Industry

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ԵՄ շուկայի մոնիտորինգի հետազոտություն. վարկերի, փոխառությունների և վարկային քարտերի ոլորտի վերլուծություն

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Ամփոփում. Եվրոպական հանձնաժողովի Շուկայի մոնիտորինգի հետազոտությունը (MMS) անցկացվում է մի շարք ոլորտների համար՝ սպառողների փորձառության օրինաչափությունները նկարագրելու և շուկայի գոհունակության վերլուծությունը բացահայտելու համար՝ հիմնված համընդհանուր և ոլորտին բնորոշ ցուցանիշների վրա: Զեկույցը անդրադառնում է սպառողների բավարարվածության ընթացիկ խնդիրներին՝ գնահատելով մոտիտորինգային հարցումների արդյունքները: Մենք ընտրել ենք «Վարկեր, փոխառություն և կրեդիտ քարտեր» ոլորտը՝ խիստ կարգավորումների նկատմամբ զգայուն լինելու, առաջացող և դեռևս չկարգավորվող ֆինանսական ապրանքների պատճառով սպառողների պաշտպանության բացերի և սպառողների համար փոխարկման բարձր ծախսերի պատճառով: Նախ, մենք իրականացնում ենք Եվրոպական շուկայի ընդհանուր վերլուծություն և ընդգծում ենք վերջին մարտահրավերները՝ շուկայի կենտրոնացվածության մեծացման, եկամտաբերության նվազման և օնլայն ֆինանսական ծառայությունների առումով: Այնուհետև, մենք շարժվում ենք դեպի սպառողական գոհունակություն, որտեղ հիմնական շեշտը դրված է վստահության մակարդակների տարբերակվածության, ցածր և բարձր կրթությամբ մարդկանց միջև հաճախորդների փորձի տարբերությունների և թվային բանկային պրակտիկայի դերի վրա՝ ինչպես ազգային, այնպես էլ ԵՄ մակարդակով: Վերլուծությունը ցույց է տալիս, որ ոլորտը զգալի տատանումներ և վստահության ցածր մակարդակ է դրսևորում ԵՄ-ում, հատկապես ցածր եկամուտ ունեցող երկրներում: Մենք հիմնավորում ենք, որ վստահության ցածր մակարդակն այստեղ ավելի շուտ արդյունք է երկրի/տարածաշրջանի բնութագրի, քան շուկայի անարդյունավետության: Ավելին, առցանց ֆինանսավորման աղբյուրների ավելի բարձր մակարդակ ունեցող երկրների համար բավարարվածության ավելի բարձր մակարդակները կարող են վերագրվել թվային առաջընթացի հարմարավետությանը, ճկունությանը և գործարքային ցածր արժեքին: Պատճառները, թե ինչու վարկային հաստատությունները պետք է ավելի շատ անցնեն դեպի թվայնացում, և ինչու ԵՄ-ն պետք է դյուրացնի կարգավորող պրակտիկան, ավելի ընդգծված են ոլորտի և շուկայի վերլուծության մեջ:
Հանգուցաբառեր՝ Շուկայի մոնիտորինգի հետազոտություն, Եվրոպական հանձնաժողով, վարկ, վարկային քարտեր, սպառողների գոհունակություն, առցանց ֆինանսական ծառայություններ, հաճախորդի վստահության մակարդակ

Опрос по мониторингу рынка ЕС: анализ отрасли займов , кредитов и кредитных карт

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Аннотация: Исследование Европейской комиссии по мониторингу рынка (MMS) проводится для ряда различных отраслей, чтобы зафиксировать модели потребительского опыта и обеспечить анализ удовлетворенности отрасли на основе основных и отраслевых показателей. Отчет проливает свет на текущие проблемы удовлетворенности потребителей путем оценки результатов EU MMS. Мы выбрали отрасль «Кредиты, займы и кредитные карты» из-за ее чувствительности к жестким правилам, упущениям в защите потребителей из-за новых и нерегулируемых финансовых продуктов и высоких затрат на переход для потребителей. Во-первых, мы проводим общий отраслевой анализ на уровне ЕС и выделяем недавние проблемы с точки зрения увеличения концентрации рынка, снижения прибыльности и онлайн-финансовых услуг. Во-вторых, мы движемся к потребительскому опыту, где основные направления связаны с неоднородностью уровней доверия, разрывом в клиентском опыте между людьми с низким и высоким уровнем образования и ролью практик цифрового банкинга в повышении удовлетворенности как на национальном уровне, так и на уровне ЕС. Мы обосновываем, что этот сектор демонстрирует значительные различия и низкий уровень доверия в ЕС, особенно в странах с низким уровнем дохода. Мы показываем, что низкий уровень доверия здесь является характеристикой страны/региона, а не неэффективности рынка. Кроме того, более высокий уровень удовлетворенности стран с более сложными источниками онлайн-финансирования можно объяснить удобством, осуществимостью и низкой транзакционной стоимостью цифровых прорывов. Причины, по которым кредитные учреждения должны больше двигаться в сторону цифровизации, и почему ЕС должен способствовать практике регулирования, дополнительно подчеркиваются в анализе сферы и рынка.

Ключевые слова: Опрос по мониторингу рынка, Европейская комиссия, займы, кредит, кредитные карты, удовлетворенность потребителей, онлайн-финансовые услуги, уровни доверия

Introduction

EU Market Monitoring Survey (MMS) [**1**] is conducted by the European Commission for a range of different industries to capture the patterns of consumer experience and enable the analysis of industry satisfaction based on core and industry-specific indicators. MMS is designed to reveal how different markets and industries perform considering the consumer's perspective to the extent possible in terms of financial and human resources. The three broadly defined pillars of the survey for the EU27 plus Iceland, Norway and the UK consist of indicators related to *(I) trust and confidence in traders*, *(II)choosing products and services, (III) and the in-market experience*. While market-specific indicators are a reasonable way to differentiate between industries, the gap between industries in terms of consumer satisfaction and in terms of market-specific indicators might create a comparability constraint.

As a democratic institution and project, the EU is responsible for policies that can affect the living conditions of millions of Europeans. The ever-integrating economic union has been facing numerous challenges since the 2008 Financial crisis and the recent and so far, the largest disintegration attempt by the UK opened more room for the citizens to question the efficiency and effectiveness of the EU and its economic policy. Despite the surveys starting relatively early, in recent years, EC has been continuously updating the sectors surveyed and methodologies to deliver better results from the customer perspective.

Designing and implementing policies require large financial and human resources and an evaluation is the step that sheds a light on the outcomes (Dixit K. A., 1996) [**2**]. With MMS we have the chance to get a better idea of the gaps between consumer satisfaction among EU economies and industries. As we need to understand the ever-evolving needs, trends and experiences of the consumers, the MMS enables us to take rather evidence-based actions. A thorough understanding of consumer behaviour and satisfaction requires a detailed and combined analysis of the industry with mixed evidence of the socioeconomic characteristics of MS customers. A satisfaction assessment should as well focus on complaining patterns of nations, overall trust levels and perception differences.

As discussed by Daniel D. and Judith C. (2010) [**3**], the EU is pushing the supranational level governance for directives to strengthen the single market and move towards deeper integration, whereas the redistribution policies are moving towards EU MS national competencies. Therefore, to boost accountability and democratic governance, the analysis of EU consumers can be crucial to define the citizen's perspective and be as close to the voters as possible.

We have selected the *"Loans, credits and credit cards"* industry for the respective analysis. The complexity of the *"Loans, credits and credit cards"* market makes the industry more vulnerable from a policy perspective and is crucial as it deals with the financial consumer's outcome. As the financial sector is heavily regulated and consumer protection is of high priority, the urge of having consistent data from this industry is a pressing matter. Considering the MMS covers issues related trust and financial loss that occurred to the consumers, as a policy maker EU needs to make sure that in times of financial worsening of the economies, consumers will not just run to the banks to withdraw their deposits as they have low trust levels towards the industry. Another appealing feature of this sector is that, for example, when taking a loan, a consumer might need to deal with the bank for a couple of years and as a consumer, one may increase the dependency level on the bank, whereas, for other industries such as clothing or furniture, the dependency might be less, therefore, consumers might face relatively smaller number of problems. Thus, the objective feedback coming from the market participants directly might foster the efficiency of policy responses.

Digital banking has shaped the new era of banking services thanks to its feasibility, easiness to use, 24/7 availability and low transaction costs (Sutikno, Nursaman, Muliyati, 2022) [**4**]. Particularly in the context of the global pandemic, the usage of online financial services increased drastically, recording a 23% increase [**5**] after the start of the pandemic in the EU. This highlights the consumer loyalty and trust levels that EU banks could establish beforehand which facilitated rather a smooth transition towards digital tools.

However, the breakthrough of digital credit and loan services creates an issue in online banking regarding the raise of the digital euro and the lack of regulations for digital products. According to Eurobarometer surveys [**6**], only 1 out of 3 people have heard about the possible introduction of digital currency, yet the common understanding of how it works is uncertain which opens some room for the ECB to facilitate the knowledge of online currencies.

Back in 2007, the Eurostat surveys showed [**7**] that around 34% of responders who had access difficulties to financial services stressed the importance of physical branches being away from their residences. As times change, we see that ease of use and convenience are the top requirements from the customer's perspective. Thanks to online financial tools, this gap can be addressed to support financial innovations in a healthy manner (we need to keep in mind that regulators should rather position themself towards technology neutrality to avoid potential market biasedness and address failures appropriately).

The report first highlights the sector characteristics and methodological aspects of the survey, which is followed by an assessment of survey results by hypothesizing the consumer satisfaction patterns and highlighting the main issues in the industry. The focus areas are related to the heterogeneity in the trust levels, the customer experience gap between low and highly educated people and the role of digital banking practices in promoting satisfaction both at the national and EU levels.

Survey methodology

To shed a light on the methodological aspects of the survey, as well as the survey results in a detailed manner, we use the official survey microsite and the Excel datasets available for data analysis. In 2019, the European Union updated the methodology, and the survey was implemented in 2 waves including 50,000 respondents per wave. This somehow results in a comparability loss of the survey results as we do not yet have an appropriate benchmark for baseline specifications of satisfaction indicators and for analysing how consumer behaviour changed throughout the course of the survey.

The survey was implemented in 2 waves, the first wave started before Covid-19 and the second wave started during the first summer after the pandemic started, and since the survey is based on qualitative opinions, the advent of the global pandemic could have changed the attitude towards markets, especially for those who find it hard to manage financially. Take, for example, online banking preferences. In countries where respondents preferred in-person purchases, after the pandemic they had adjusted to more online services which could cause inconvenience both from the consumer side and the industry side as both needed times to adapt and find the appropriate solutions. Another example would be that during times of economic downturn, people will probably face more financial issues due to their relationship with the banks (panic withdrawal of cash, more use of credit cards, more financial difficulties in paying off their loans). In a long term, using the 2019-2022 survey as a baseline specification might overestimate the future results.

Industries are usually aggregated into bigger groups, such as Children's products or Loans, credits, and credit cards. The more general definitions we have, the harder will be the projection of the results for specific subgroups. For instance, someone may recall their loan experience while the other one may recall the credit card experience which in their nature can vary significantly (taking a loan and opening a bank account are different in terms of risks, opportunity cost and the satisfaction people can get). Therefore, the MMS faces a trade-off between quality and budget/time, especially in terms of bank loans, where mortgage loans significantly vary in their nature and sophistication in relation to consumer loans.

For each of the survey waves, 500 consumers per country were randomly chosen. Some industries got smaller sample sizes which is attributed to the fact that countries like Cyprus, and Malta were not interviewed for the gas market. The methodology also required the introduction of a threshold for the population size whereby countries, such as Luxembourg, Cyprus, Malta, and Iceland got only 250 respondents per market. Yet, the survey does not have an upper limit for the population size classification which means we need to group all the countries above a certain threshold in one subgroup. However, this gap is alleviated by adding population calibration weight by their relative population size. A country receives an individual weight to control the unequal distribution of sample units. The same weight distribution is applied to country-group levels (North, South, West, East).

Based on the approach adopted, "In some questions used for weighting (age, gender, phone type), I don't know, or refusal option is not allowed so that non-responses are avoided". This might lead to *self-selection* issues. Although the sample is drawn randomly, the decision to answer can be biased (one hypothesis would be that people who are the least satisfied would jump into complaining whereas other people might be ignorant). Studies have shown that complaining is a part of Poland's cultural characteristics, therefore respondents are more likely to involve in a survey/activity which opens room for complaining. Moreover, since the respondents are asked for personal information to some extent some people may again self-select not to participate in the survey. On average Polish, Maltese and Latvians refuse to answer the survey more than other EU countries such as Norway or France.

Findings and Analysis

Sector Analysis

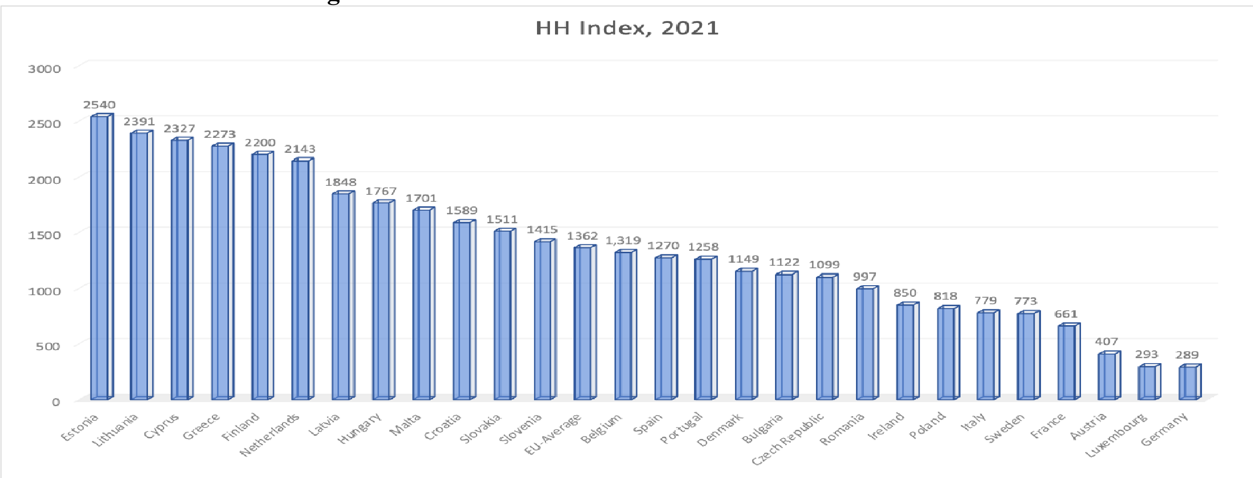
After the global financial crisis, the EU's total number of credit institutions started to show decreasing patterns reaching the lowest of 5441 in 2020 from 8162 in 2008[8]. The largest number of credit institutions are in Germany (28%), Poland (11%), Austria and Italy (both 9%). This decrease is as well expressed in physical branches, the amount of which decreased by 36% after the Global Financial Crisis (GFC hereafter).

As household deposits in the eurozone expanded over time, so did the amount of outstanding loans, which were primarily attributable to eurozone countries. With more providers exiting the market, the total market captured by large banks has increased. In recent years, the assets of EU banks have consistently increased, particularly in the Baltic states.

EU's Consumer Credit Directive is set to ensure that the deeper EU integration in the financial services sector is providing a high degree of consumer protection. These practices include information transparency, creditworthiness assessment and tackling EU household indebtedness. However, the development and expansion of new and existing technology products in the financial services industry continuously necessitate that the Commission update the current directives and more adequately address the issues that emerge. The most recent amendment to the act was introduced in 2019, thus it is necessary to assess its significance for consumer protection and satisfaction after a window period has passed. Moreover, the EU's newly launched "Consumer Agenda" is a response to consumer vulnerabilities due to the global pandemic. The agenda will call for increased transparency from service providers, particularly in sustainable development to meet the digital and green transition objectives while also focusing on socially vulnerable groups. The MMS shows that already in 2019, right before the pandemic, more than half of respondents prioritized the environmental impact of the services they were buying.

The market concentration by assets in the EU credit institutions has been increasing with the dwindling number of competitors, and the main players in the sector were able to capture more of the markets, especially in Greece, the Netherlands, and the Baltic economies. The share of the 5 largest credit institutions in these economies is above 80% which is a concerning matter. The HH index graph, designed by the authors using the ECB Statistical Data Warehouse, shed further light on the high concentration levels, where the EU average HH index is *1362*. Normally, an index above 1500 is already an alarming sign of high market concentration. The challenges for the harmonized consumer policies of the EU, which should suit regional demands with local variation, are being exacerbated by the heterogeneity of market competition across EU nations.

Figure 1: *Bank concentration in the EU based on HH index*



Following the GFC, the Global Pandemic introduced 2 major challenges for the European Banking sector and credit institutions

- *Decreased Profitability*

After the GFC, EU bank profitability was already alarming which was further worsened by the pandemic. The ROE of European Banking hit the lowest level since 2015 in the second quarter of 2019. However, this pattern is significantly heterogeneous among the EU MSs. Greece, Cyprus, and Portugal recorded the lowest level as opposed to Romania, Hungary, Czech Republic, and Sweden having the highest level (reaching 16%) [**9**]. This highlights the fragmentation of the EU market and the need to consider the heterogeneity of bank revenue-generating capabilities in economic policy.

- *Digital financial services*

The rise of digital financial services increased the competition for the lending and credit market (less competition **in** the market, more competition **for** the market) as the innovative technologies started to offer better consumer experience. According to studies, fintech development positively affects consumer satisfaction through responsiveness, accuracy, and format (Hutapea R. S., 2020) [**10**]. For example, a study (Iriobe G., Akinyede O. M., 2017) [**11**] in Nigerian fintech services showed that effective fintech services can improve consumer loyalty and improve bank revenues. The efficiency of the fintech and the positive impact on the EU market require effective regulations at the EU level, particularly in addressing lender and borrower rights as these technologies often target both the bargaining power of buyer and supplier. The consultation on crowdfunding in the EU started in early 2013 and the first legislative proposal by the Commission happened only in 2018, adopted in 2020 and the deadline for authorization is established in 2023. This process takes relatively slow turn, especially compared to a more elastic response towards these markets from the US, which makes EU consumers financially more vulnerable towards tech development. Lack of transparent information, market abuse, etc. may result from undefined legislation and lack of enforcement.

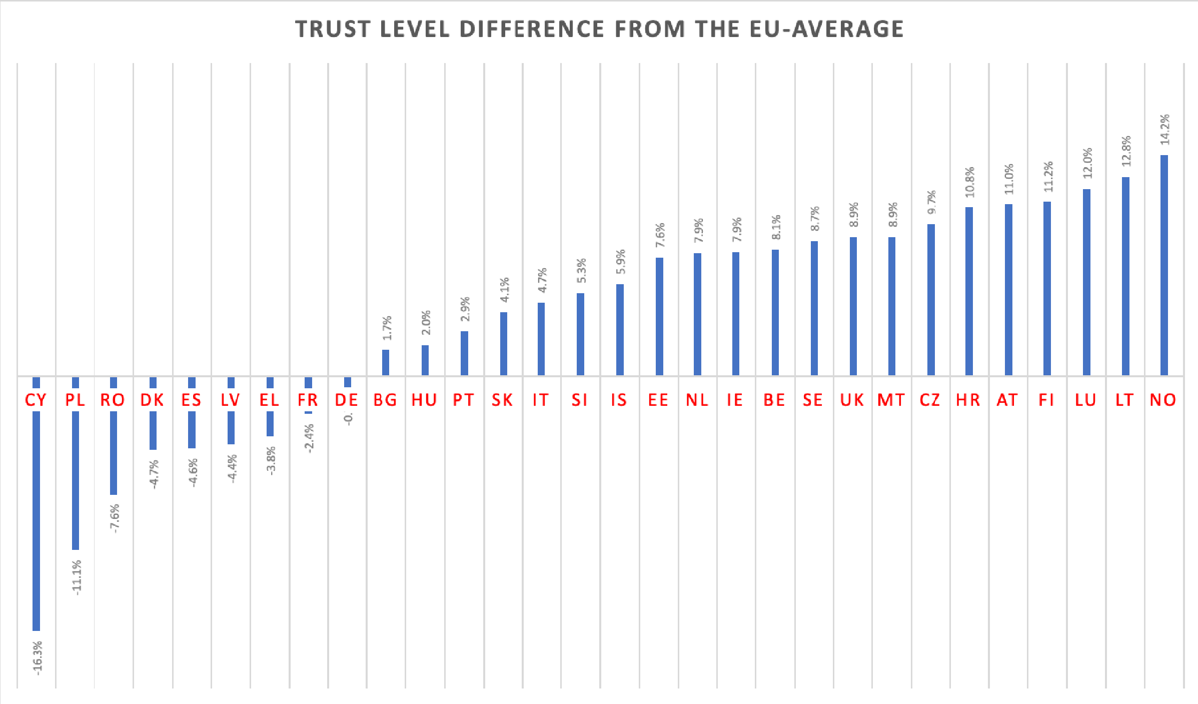
Overall, according to the MMs survey, the "Loans, Credit and Credit cards" market recorded the lowest trust level among the surveyed industries with only 73% trusting the providers. The industry did not rank in the top 3 markets for high levels of trust in any of the EU-27 nations, but it did appear to be in the bottom 3 at least in 7 of the 27 markets. The overall purchase satisfaction was consistent with the EU average (91%) whereas the easiness to compare in this industry appears to be a major issue.

Market Analysis

The sector analysis facilitated the identification of the initial hypothesis for the industry. Considering the exit of mainly inefficient credit institutions from the market and the increased concentration rates which are accompanied by fragmentation in the EU financial sector, particularly in terms of profitability and exposure to digitalization, we expect statistically significant differences in country trust levels. This will vary by sociodemographic characteristics, particularly in terms of education levels (attributed to the gap in financial literacy rates [**12**] between the East and the Rest) and financial hardships consumers are facing (attributed to vulnerabilities).

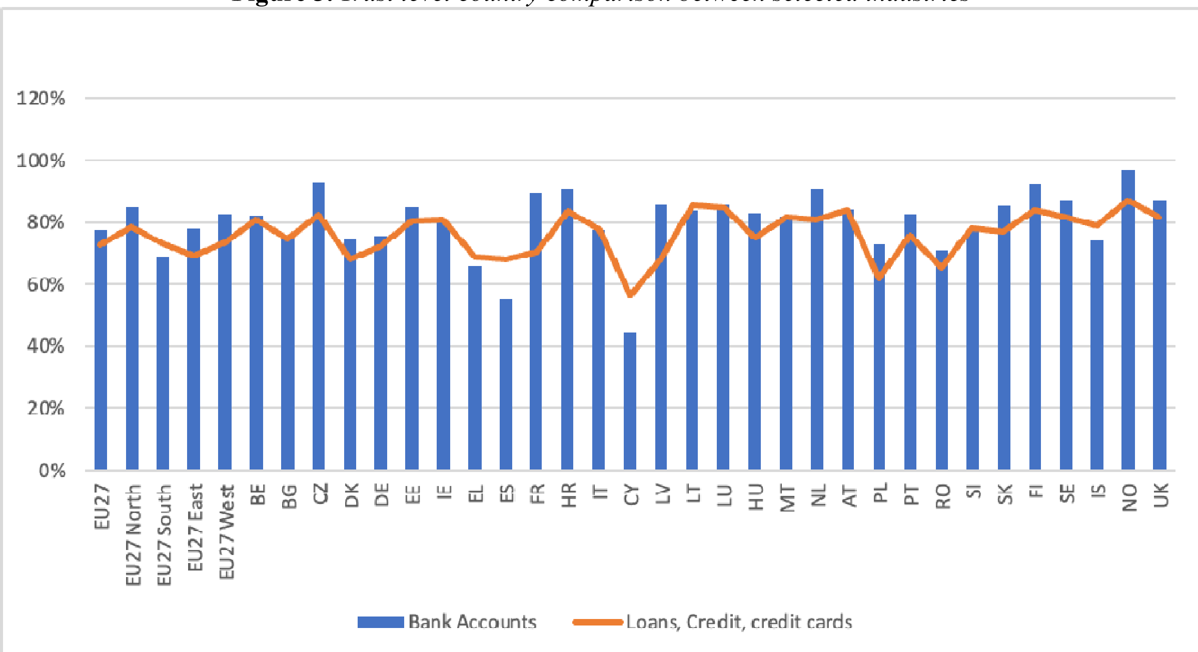
Considering the survey results, we notice that, as already discussed, *trust levels* somehow differ significantly by country and are the lowest compared to the other industries included in the survey. The Eastern bloc tends to have the lowest trust level. *Poland (62%), Cyprus (57%) , and Romania (65%)* are among the ones with the lowest level of trust, whereas *Lithuania Luxembourg and Finland* show significantly higher trust levels, around 85%. 23 economies surveyed in the first wave show statistically significant differences against the EU27 average for overall trust. Importantly, most of the statistically significant deviations are positive and higher than the average trust level, whereas for countries like Poland and Cyprus the significant difference reached -16%. The only sector that Poland's trust is consistent with the EU average is the airline industry, whereas some industries, like the toys market, are recording significantly higher deviations of up to -20%.

Figure 2: *Country-level trust deviations from the EU-average*



Compared to relatively similar "Bank Accounts" industry results, we notice that the trust level follows the same pattern among countries. Countries exhibiting higher trust levels for "Loans, Credits, Credit Cards" show higher overall trust in other sectors as well.

Figure 3. *Trust level country comparison between selected industries*

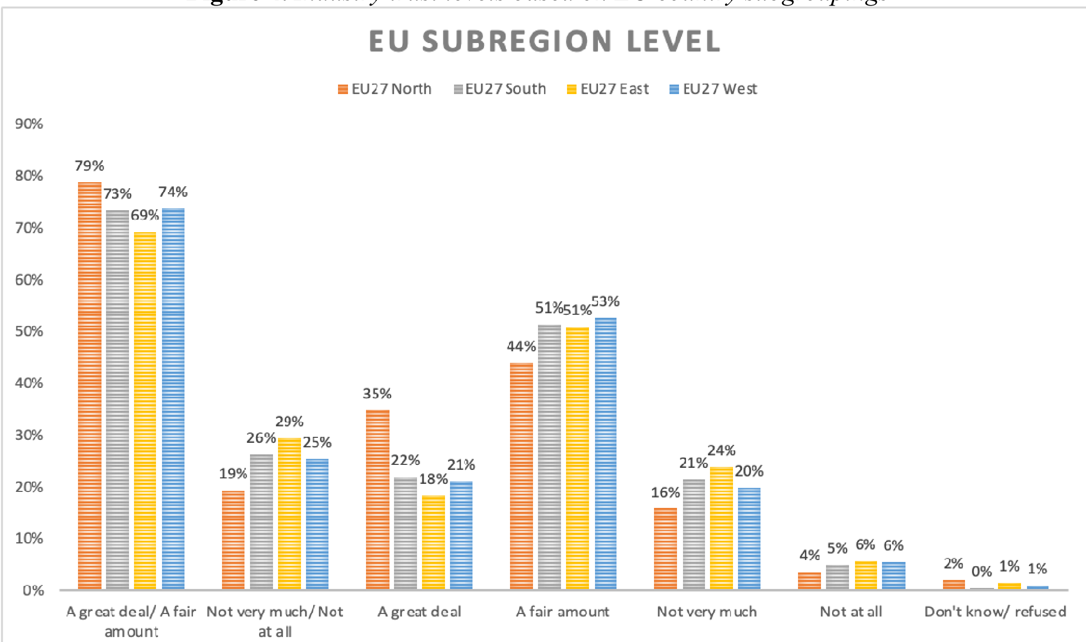


Hypothesis 1: The low trust level can be connected to the empirics of positive correlation between trust levels and economic growth, and the low trust level here is a country/region characteristic rather than market ineffectiveness.

To support the argument, if we consider the trust level for other industries as well, we see that on average, the *North* trusts the most, (79%) *East* trusts the least (69%), the *South and West* trust Equally, 74% and 73% respectively. Running a *correlation test* between *country-level trust* and *GDP per capita*, we witness a moderate correlation of 0.4. The correlation tests between trust level and country governance quality score are as well 0,4, which might have some explanatory power.

Looking at the country level, the low trust levels in Cyprus can be associated with the heavy losses for major bank customers in 2013 when the central bank announced [13] a 60% loss of savings of over 100000 euros. This event was further followed by complaints of citizens towards the EU and ECB for not backing up the country in a timely manner and putting Cyprus in a long recovery adjustment period.

Figure 4. *Industry trust levels based on EU country subgroupings*



As for Poland, we notice that Polish people, in general, have a low trust level. Interestingly, the lowest trust score [**14**] of the citizens is towards the Polish government (30.5%), whereas the EU has the highest trust level (68%) among the Polish citizens. Another general characteristic of the East, particularly for the Polish and Hungarians is the culture of complaining. Sociology experiments and studies [**15**] have shown that Polish people are known for their complaining and pessimistic views of the world. Namely, in the MMS context, Polish people have low life satisfaction levels and firmly believe that the social world is negative, therefore the low trust level and the high dissatisfaction/complaints level can be attributed to these characteristics to some extent. On the other hand, some countries like Germany and France, are the most satisfied countries in the EU in terms of the direction their government and EU are taking [**16**], whereas the EU average is 36%. This as well can determine the trust levels that the citizens have towards national and supranational regulators.

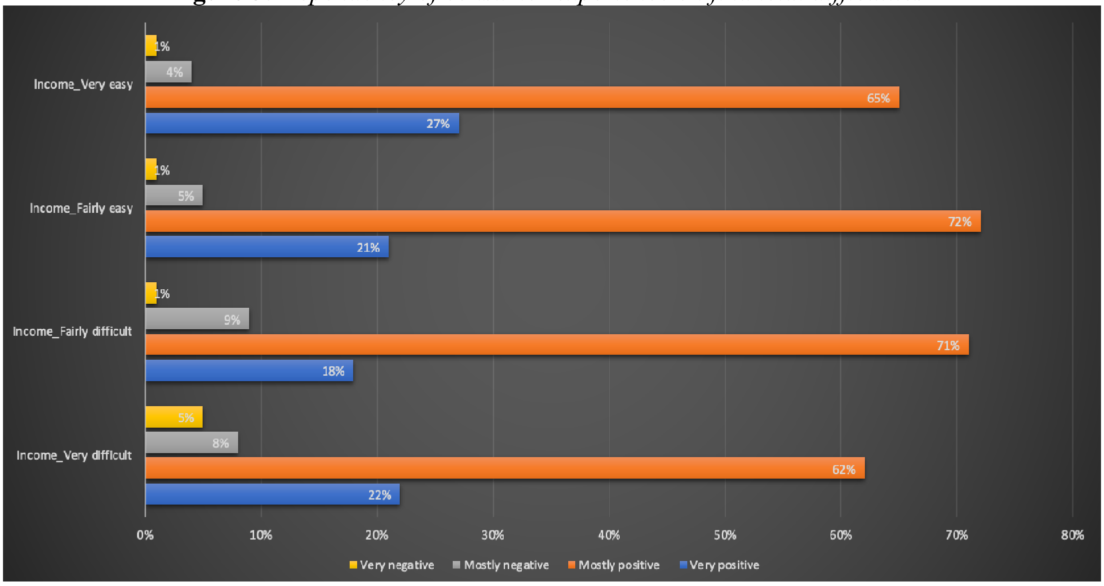
Delving deeper into the details, we notice that those who find it difficult to *manage their finances* have lower trust levels which somehow explains why the eastern economies are showing these patterns as this might be explained by the income differences between economies and that in those economies more people face financial difficulties. More precisely, 29% of those who find it *easy to manage financially* consider the provider's service as a good deal, while those finding it *fairly difficult* and difficult trust 19% and 20% respectively.

Hypothesis 2: Respondents who find it difficult to manage financially complain more as they have fewer alternatives and find the price factor an important component.

Moving forward and looking at **consumer experience**, even though 91% of respondents report *positive experiences of making purchases* in the market, we see a significant gap between those who find it *very difficult to manage financially* and those who find it very easy to do so (84% versus 92%), especially for the *Eastern economies*. Yet, we see that people are *mostly satisfied* instead of being *very satisfied,* but this gap can be “justified” by the fact that on average only 1% of the respondents rated the experience as very negative. Here, those who had financial difficulty were among the ones who rated rather negatively compared to those who manage easily (27% for very easy, 18% for fairly difficult). Consistent with the hypothesis, 95% of consumers with the highest financial difficulties prioritize the price factor compared to 84% of the respondents who find it very easy to manage finances.

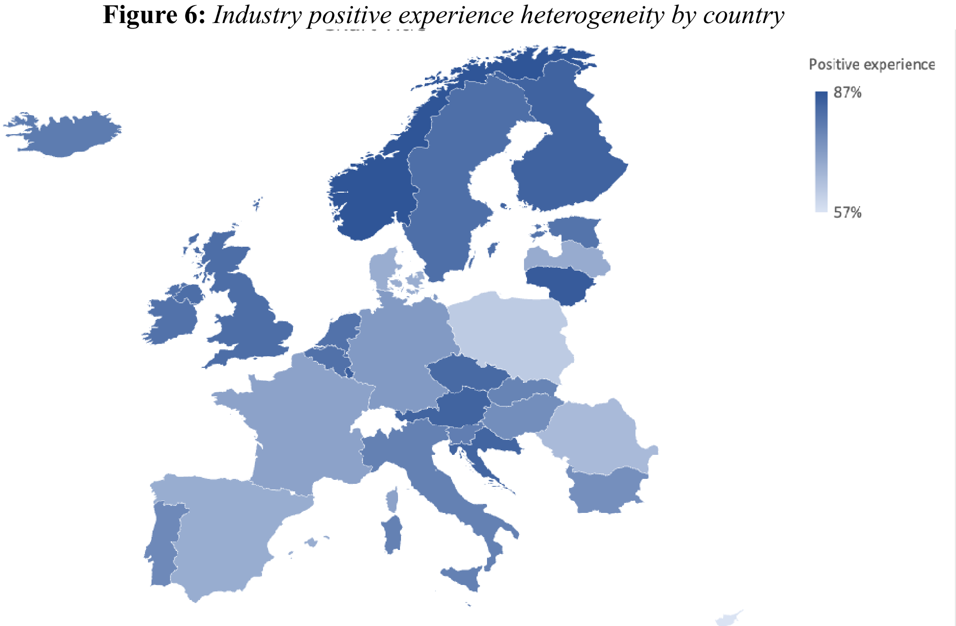
In terms of non-financial difficulties, the most relevant problems for complaints were related to non-financial loss such as time, anger, frustration, stress, and anxiety. Studies have as well shown that in countries satisfaction is highly correlated with sociodemographic characteristics such as revenue age, as well as the professional status of the responder (which we would consider correlated to the education level indicator for the MMS survey).

Figure 5: *Dependency of consumer experience on financial difficulties*



Hungary, Latvia and Cyprus, the *East*, show the lowest satisfaction level and highest statistically significant deviation from the EU average (-9,4, -8,8 and -5,4 respectively). The heterogeneity among economies is marked and it requires country, industry, and firm-level analysis to identify the determining factors.

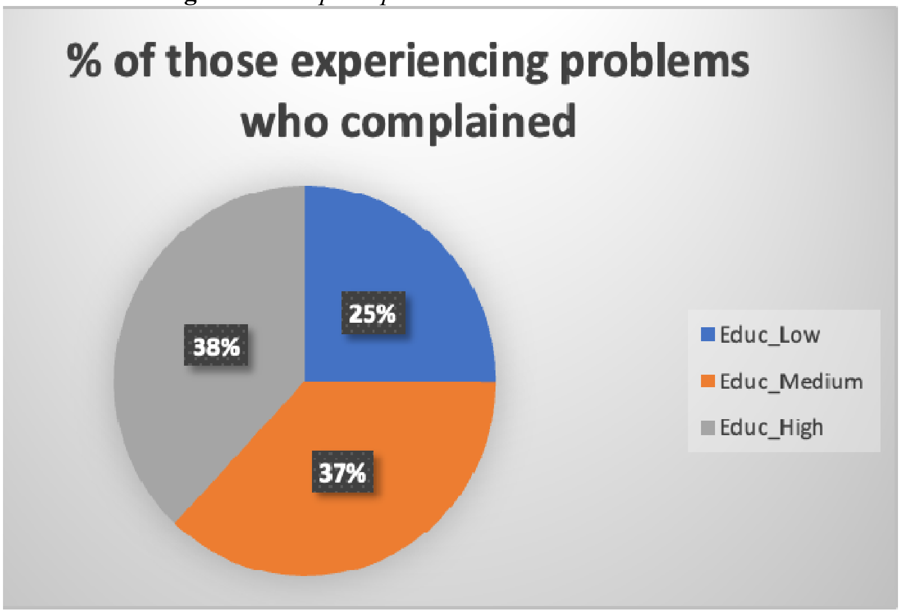
Figure 6: *Industry positive experience heterogeneity by country*



Hypothesis 3: Lower-educated people are the ones having the most financial problems and satisfaction patterns from complaint results will vary by the type of complaint.

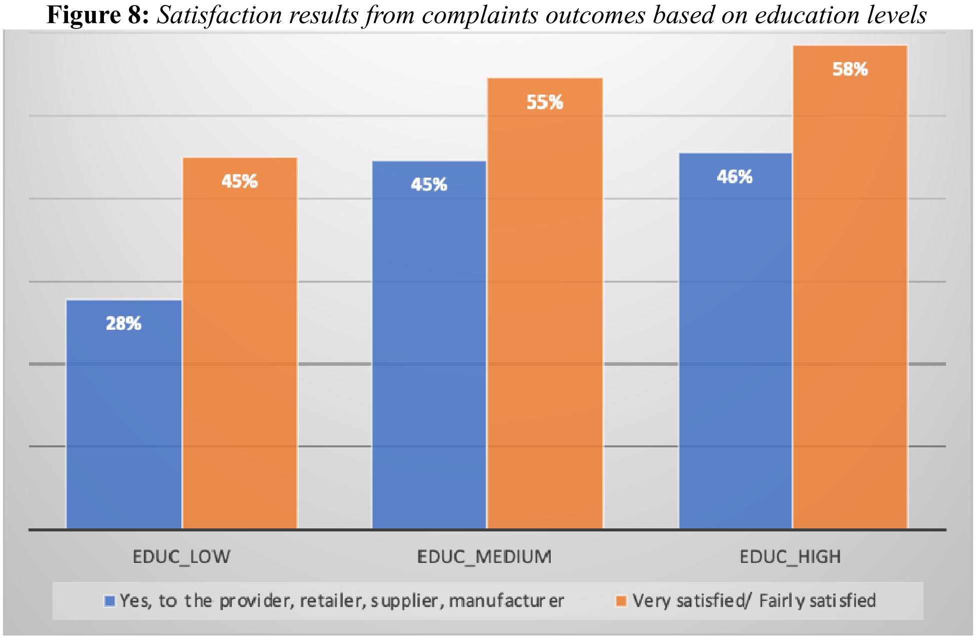
Around 20% of Europeans mentioned financial rights breaches while dealing with banks, however, more than 45% of EU customers did not make any complaint about a recent financial or non-financial loss. Not surprisingly, 56% of low-education people did not make any complaints compared to 44% and 45% of medium-educated and high-educated responders, however, 8% of these low-educated people took the provider to the court, compared to 2 and 3 per cent of medium and high-educated people who instead of made a complaint to the provider/supplier. This raises the question of *financial literacy concerns.* The unbalanced level of financial literacy within EU MSs is a pressing matter especially with financial services becoming more sophisticated. The average EU financial literacy rate was 52%, with the West and North having rates over 65 and the East having as low as 22 for Romania.

Figure 7: *Complain patterns based on education level*



Moreover, very difficult-to-manage people also went to court the most (13%) and preferred filing complaints to third parties such as associations or ombudsmen instead of direct complaints. Low and Medium educated people were the least satisfied with complaint outcomes (45% compared to 58% of highly educated) and the people with the most financial difficulty had the least satisfaction of 34%. It is important to note that these clients are likely criticizing the court's decision rather than the service providers. Consumers who preferred to make direct complaints to the service provider, however, had better "treatment," which is a more accurate reflection of how service providers responded to customer requirements and complaints.

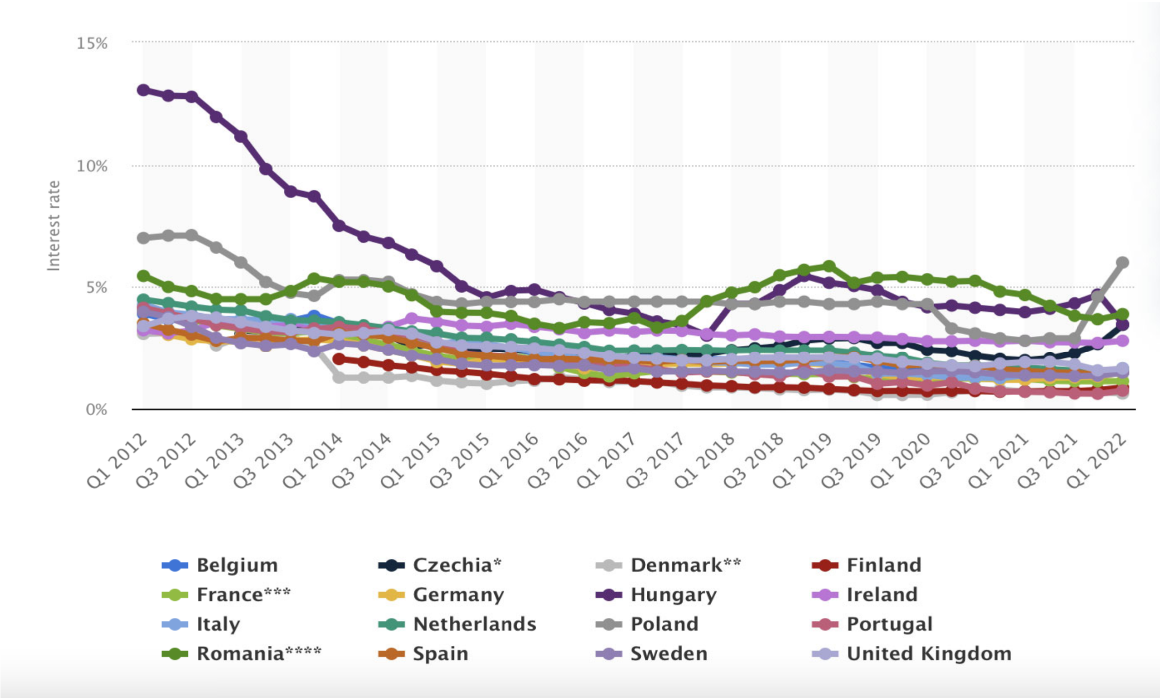
Figure 8: *Satisfaction results from complaints outcomes based on education levels*



Hypothesis 4: Loans differ significantly in their nature. Economies with high mortgage rates and high mortgage share in the overall household debt will be less satisfied.

If we focus on the loans market individually, we shall look at the country differences in mortgage rates and volumes. From 2015-2019, mortgage lending as opposed to consumer lending has witnessed a higher quarterly growth rate [17] with relatively fewer fluctuations. In 2021, 79% of EU household loans consisted of mortgages [18]. Given that a mortgage is a longer-term and more costly commitment, consumers may be less satisfied with the more mortgages they have. If we look a Statista data [19], we will see that after 2015, the EU mortgage rates declined and somewhat harmonized in EU countries with notable exceptions of Romania and Poland. This might as well explain the heterogeneous trust and satisfaction levels in EU countries.

Figure 9: *Average weighted mortgage interest rate in select countries in Europe from 1st quarter 2012 to 1st quarter 2022*



Hypothesis 5a: Countries with a more advanced level of online financing sources (e.g. crowdfunding markets) are more likely to be satisfied with their experiences (in line with the consumer advantages theories and empirics of what competition and technology can offer).

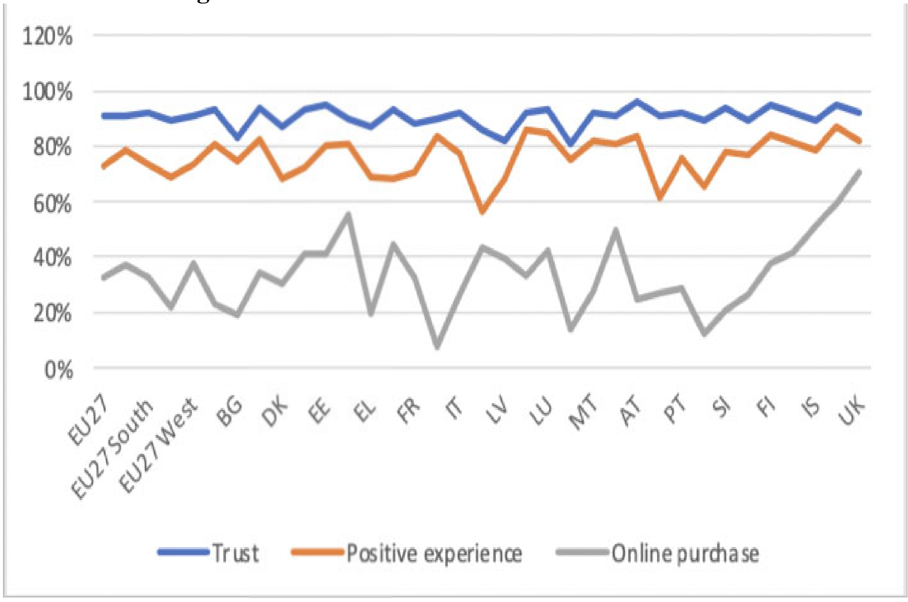
Hypothesis 5b: Depending on the institutional quality of various countries, satisfaction with online financing tools will differ by country.

For the question *"From where have you purchased products or services?*" it is apparent that some countries still prefer *in-person* shopping while others are more intended towards online banking. For example, *Denmark (53), and the Netherlands (40%)* were significantly below the EU average in terms of in-person shopping. Those countries where consumers gave preference to online purchases like Ireland were more satisfied and had more trust levels. Yet we see countries like Cyprus and Malta which have lower trust levels but still give relatively high preference to online banking. This might not support the hypothesis of the correlation between trust levels and online banking but can explain the overall satisfaction levels among these countries (lower for Cyrus and Malta compared to the North and West). This might be because all economies offer online banking but the regulation, security and development stage of online banking services are not the same. Until EU crowdfunding market regulations are authorized in 2023, EU consumers need to rely on national regulations where the quality is determined by timing, extent, and implementation. The statistic also reports [20] that those Northern and Western economies have the highest online banking protection levels.

I further calculated the correlation levels between trust, positive experience, and online purchases. The correlation between trust level and positive experience is above *0,5* whereas the correlation between trust level and online purchases, positive experience and online purchase is *0,2* which does not show any relation. If we do an experiment by calculating the correlation between these 3 variables among 5 selected industries, the correlation coefficient remains around 0.2 which is not sufficient for any conclusions.

Yet, the empirical studies using probit and logit microeconometric models applied to the Romanian banking sector satisfaction, highlight the importance of convenience, digital banking, and demographic differences in determining customer satisfaction [**21**], which is more robust compared to my calculations with limited data and econometric mode.

Figure 10: *Correlation test between selected indicators*



Furthermore, we see that those who prefer in-person shopping are having more financial difficulties and people who have the highest education level purchases are tended towards online banking. Thus, highly educated people prefer online services as they can make respective decisions easier whereas low-educated and also financially harder to manage people find it harder to buy online. Online shopping is also preferred among youngsters. Among those 18-34 years old, online purchases are preferred by 40% whereas only 23% of consumers who belong to the 65+ age group prefer online services.

Conclusions

GFC reduced the market competition and increased the market concentration levels to an extent that some economies, such as Greece, started to face less competition and therefore lacked the innovations that could have arisen due to fierce competition to attract more consumers. Additionally, the Consumer Agenda and the EU's prioritization of sustainable financing increased the pressure on financial institutions to increase costs to meet consumer and governmental objectives for the green transition.

Overall, the sector exhibits significant variation and low levels of trust across the EU, especially in low-income nations. We motivated and supported the hypothesis that the low trust levels are country/region characteristics rather than market ineffectiveness. We showed that the Eastern bloc included in the survey has incorporated the culture of complaining into its social life.

Consumers who have the most difficulties managing finances, particularly in the East are least satisfied with the consumer experience and the main factor of the market experience for them is the price. Additionally, when we examine country differences, we once again see that the East is deviating statistically the most from the EU average results.

The varied financial literacy levels within EU nations raise additional issues because they have an impact on the type of complaint and the level of satisfaction with the complaint's resolution. In the meantime, by looking at the trends in mortgage rates over the past ten years, we can see that some EU nations, notably Poland and Romania, experienced an increase in mortgage rates and as a result, they were less satisfied and less trusting.

The fifth set of hypotheses focused on current shifts in consumer preferences toward sustainable financing, which made it more difficult for consumers to compare products than for those who use price as their primary benchmark for comparison. The final hypothesis emphasized the higher levels of satisfaction for those nations with more sophisticated levels of online financing sources.

To better capture the industry and country differences, the EC should effectively “deal” with the trade-offs between the budget and quality of the MMS. As shown in our report, the industry analysis requires differentiation of loans from credit cards due to heterogeneous household responsiveness. Moreover, additional data on customer experiences based on mortgage loans and consumer loans will further enhance the robustness of the results. Furthermore, the biasedness raised by self-selection should be addressed by giving different weights to countries such as Poland and Malta, where the refusal rates to answer the survey questions are the highest.

EU Consumer Credit Directive should provide more consumer protection and should emphasize the new credit products that are mainly derived from technological breakthroughs which are not yet fully addressed (ICOs, P2P lending, digital currencies). For example, the EU still does not have fully defined crowdfunding market regulations, and the heterogeneity among economies is deepening. In addition, since some nations, like Poland, have higher levels of trust in the EU than in their own government, the EU-level policies will be more acceptable and satisfying for the nations with low trust and high complaint rates.

Banks need more openness and accessible information channels to promote awareness about their sustainability initiatives as consumer preferences shift toward sustainable practices. This process will be facilitated by the European commission's Consumer Agenda Initiative which highlights digital and green transition in banking services.

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