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Dysfunctions of a deregulation - an example from the Swedish payment market

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Abstract

Sweden is often predicted to become the first cash-free society in the world. The digital possibilities for payments are increasing and payments are now made easily using just a mobile phone. One of the possible reasons for this is the way people choose to and want to pay. Another possible reason is that the state is not guaranteeing the possibility to use cash as a payment method. The Swedish parliament decided to remove the law that guaranteed standard cashier service to all people in Sweden. This deregulation was done in order to let the market forces regulate the payment services in Sweden, without involvement from the state.

The aim with this thesis is to find the latent dysfunctions of the deregulation of the law (2001: 1276) about standard cashier services. A latent dysfunction that was found in this study is that the state is not able to fulfil the political goal that “all people in the society should have access to basic payment services at reasonable prices”. The reason for this is that the rules about providing the basic payment service is assuming that there are private operators that want to provide these services against an economic replacement. Social norms that banks should provide payment services are still strong and have proven hard to interfere with. The research has been done using a legal dogmatic method.

To understand the dysfunctions of the deregulation this thesis is explaining the effects of deregulation and market forces that are aiming at changing social norms of payments. The failure to believe too much in market forces is showing that the market is not able to accommodate solutions for the socially weak groups in the society. In addition the state is not able to provide solutions where cash is accepted to make sure that all people in the Swedish society have access to basic payment services. The decision to remove the law and to replace it with a political goal can be seen as trusting too much on the market. This has now led to new discussions to create a new law that is forcing the banks to handle cash.

Key words: Basic Payment Services, deregulation, manifest and latent functions, manifest and latent dysfunctions, cash-free society, sociology of law

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1 Introduction

“Welcome to Sweden – the most cash-free society on the planet”

(Russell, 2014)

At the moment a unique development, when it comes to payments and cash, is taking place in Sweden. It is a transformation of the payment system and how people pay. Cash is not the main payment method anymore. Other payment methods have become more favourable and used by the people in Sweden. Sweden is often mentioned as the country in the world that is closest to become what can be called a “cash-free society”. This development is well known by the people living in Sweden as people are used to using their cards when paying for goods and services. Many people even use their mobile phones as a payment method. As an example, it is more important to have a mobile phone with you rather than cash when travelling by bus in most places in Sweden, as most of the local buses do not accept cash payments, instead the payment can be made using a mobile phone application. There are numbers of reasons for using less cash. When it comes to the buses, security for the drivers is often mentioned as the reason for not accepting cash as payment method anymore (Arbetsmiljöverket, 2011). It is not only on buses that do not accept cash as a payment method anymore, a number of shops and restaurants are also choosing not to accept cash as a payment method anymore. One example of this is Telia, the largest telecom company in Sweden. In 2012 Telia decided to make all their shops cash-free. This decision was based on both security and money saving, because of the costs of handling cash (Telia, 2012).

The development described on buses and in shops is part of the daily life in Sweden. This development can be connected to the amount of money in circulation in the country. According to the Swedish Central Bank (Riksbanken), the value of the money circulating in Sweden in 2015 was 73, 5 billion Swedish Krona (SEK). Four years earlier, in 2011, the same figure was 99 billion SEK in circulation (Sveriges Riksbank, 2016). That is a decrease of cash in circulation with 26% in only four years. To give an indication of what this means, the decrease can be compared to other European countries. The amount of Euros in circulation is steadily increasing, from around €14 million, in 2011 to €18 million, in 2015 (European Central Bank, 2016). That is of course for the whole Euro area, but when looking at Norway

that is a country close and similar to Sweden the amount of cash in circulation is more stable with 50 million Norwegian Krona in circulation in 2011 and 2015 (Norges Bank, 2016). This indicates that the development with less cash payments in Sweden is exclusive to the country. Closely connected to the decrease of the amount of cash in circulation is the decline of bank offices handling cash in recent years.

	Bank offices handling cash	Cash-free bank offices
2011	1415	328
2015	694	895

Figure 1 (Länsstyrelserna, 2015)

In figure 1 it is possible to see that the amount of bank offices handling cash has decreased and more bank offices are cash-free. With this statistic it is also possible to see that the amount of bank offices has also decreased with about 150 offices.

What can be seen as reasons behind these changes then? It is possible to understand the development in different ways. One way is to follow the development of the new technique. The new technique is giving the opportunity for people to manage their banking services in their homes and not at a physical bank office, which saves time and is available at any time of the day. It also facilitates for people not to having to carry cash with them as payments can be made using cards or mobile phones. The direction this is demonstrating is that people use less and less cash in Sweden. A report, based on 1000 phone interviews with Swedes, indicates that already in 2013 it was more difficult using cash in Sweden (Insight Intelligence, 2013). As mentioned previously, the bank offices, shops and services handle cash in a smaller extent. My theory is that the current laws and regulations, or lack of them, is part of the reason behind this development as well as the digitalisation of payment methods.

Up until the end of year 2008, there was a law in Sweden guaranteeing that all people in the society have access to standard cashier services, or over-the-counter service, the law (SFS 2001: 1276) about standard cashier service. This law was removed after the government initiated an investigation (SOU 2004:52) about the society’s need for payment services. This investigation then led to a proposition (2006/07:55) about the state’s responsibility for certain payment services. In June 2007, the Swedish Parliament accepted the government’s proposition about the state’s responsibility for certain payment services and this resulted in

the removal of the law (SFS 2001:1276). The decision also included accepting the suggestion to introduce a new political goal:

“Everyone in the society has a right to basic payment services at reasonable prices”
(prop. 2006/07:55).

In order to follow up on this new political goal, the Swedish authorities Post- and Telecom Agency and the 21 County Administrative Boards in Sweden got the mission to follow, monitor and report the development of basic payment services to the Swedish government. This regulation specifically said that they were only to act when the market forces did not provide basic payment services, for example in rural areas, where there is no interest for the market to handle payment services (prop. 2006/07:55). Before 2009 this possibility was handled by the state, but since then the privately owned banks and companies were to handle this on a strictly commercial basis. The only exception was areas where banks and companies would have no market interest in providing this service. Up until 2013 the Post- and Telecom Agency was able to initiate local solutions. In 2013 this assignment was then moved to the County Administrative Boards (Länsstyrelserna, 2013). This change of regulation has led to the focus on what impact this has had on the payment market in Sweden.

Even though more people use digital methods for their payments and banks do not handle cash as a standard, the Swedish Central Bank has decided that all banknotes and almost all coins will be renewed. This can be seen as an indicator that cash is still needed and will still be used for many years ahead (Riksbanken, 2016a). The 21 County Administrative Boards in Sweden present a report once a year with focus on basic payment services and how they are available for people. In the last report from 2015 the County Administrative Boards writes about problems for companies, associations and individuals to conduct their payment services (Länsstyrelserna, 2015). The report indicates that the development towards a society where cash is excluded in many places is not only positive, but it is also meaning difficulties for individuals, companies and associations that still want, or have no other possibility than using cash. There are many reasons for people not being able to use other payment methods. The County Administrative Boards (2015) are writing in their report that for instance access to internet, inability to handle digital payments, lack of interest and physical and mental disabilities are amongst these reasons. This indicates that there are still people using cash, but with fewer banks, communication and shops accepting cash, is the development excluding

people from the society. In the Swedish debate it is obvious that people still want banks to handle cash. This is also something that the manager of the Swedish Central Bank, Stefan Ingves, agrees with. In the spring of 2016, he said:

“Banks should be forced to handle cash. Cash is still needed. It is obvious that the customers demand cash” (Ingves, 2016 (own translation)).

With this statement Ingves is pointing out that people still want to use cash and that banks should handle cash. In the statement, Ingves is mentioning that banks should be forced to handle cash, which can be linked to regulation. Once again the relevance of laws and regulations come into play when it comes to the payment services in Sweden.

Combining the deregulation in 2008 and the above statement, it is clear that the deregulation might not have had the impact the Swedish parliament expected. The Swedish newspapers often contain letters to the editor about the problems to using cash and to put cash into a bank account. PRO, one of the largest organisations for pensioners, recently started a campaign called “cash is needed” (kontanter behövs) in order to collect names. The list of names was handed over to the financial markets minister in the summer (PRO, 2016). It is evident that many people, companies and organisations still want to use and need cash.

In order to find out what effects that the deregulation of the law (2001: 1276) on standard cashier service has had on the society, this thesis will analyse the effects of the deregulation. This will be done in a sociology of law perspective which means that both the laws and the social behaviour will be analysed. As it seems, the deregulation in 2008 might not have had the planned effects because of the call for a new law to regulate the banks that do not accept cash.

1.1 Aim and Research Questions

As previously described there seems to be an imbalance between what the Swedish citizens want and what is provided in terms of payment services. This imbalance in connection with how payment services are regulated is something that the thesis focuses on. *Therefore the aim with this thesis is to analyse if the deregulation of the law (2001:1276) about standard cashier service has led to any unwanted effects that can be considered unfavourable for the*

society. With this aim the imbalance will focus on the possible negative sides of the deregulation. Because of the political goal, that all people in society has a right to basic payment services at reasonable prices, the access to basic payment services is important to analyse. To do this, the thesis applies the theory of manifest and latent functions and dysfunctions developed by Robert K. Merton (1910-2003). The reason for using this theory is that it will enable me to investigate the unintended effects that the deregulation has had with a special focus on the latent dysfunctions and what are the unpredictable and unwanted effects. To carry out the study a legal dogmatic method, that is taking its starting point in laws and regulations, will be used. This leads to the following research questions that the thesis aims to answer:

- *Has the deregulation of the law (SFS: 2001:1276) about standard cashier service led to any latent dysfunctions?*
- *If it has, what latent dysfunctions can be pointed out with the help of current laws and regulations as well as reports of the Swedish payment market and the public debate in Sweden?*

To be able to answer these questions, available laws and regulations on payment services that are applicable to the legislation in Sweden will be used. These questions will guide the thesis to find conclusions about possible hidden and unknown negative effects of the deregulation (SFS 2001:1276) about standard cashier service. The answer will be limited to focus on the areas that the theory and method allows. This way the thesis will have a focused aim on the research questions allowing the use of a deep qualitative study.

The theme and orientation have been chosen because of a personal interest for the development towards a cash-free society and the curiosity to find out why Sweden has become one of the most cash-free societies in the world. What are the effects of the law change and what is happening on the payment market in Sweden when the state is not able to guarantee over-the-counter cash service and what are the implications of this? Has the public sector been able to solve the problems created by the private market, as Hansen (1987) indicates that it should? Hansen (1987) writes that the state should be a kind of guarantee for its citizens to make sure that all people have the same rights, which something that is not always possible to achieve by a private market.

The research in this thesis will also aim to contribute to the ongoing understanding of the development on the payment market. This process is highly relevant as Sweden is, as mentioned earlier, often cited to be the country that have come the furthest towards a cash-free society. A recent report from the credit card company Visa is also found that Swedish people are using payment cards the most in the whole world (Åkesson, 2016). With this combined information it is possible to understand that Sweden stands for a unique development on the market of payment services.

1.2 Relevance for sociology of law

To describe the relevance for sociology of law, I want to start by using the description of the scientific field by Thomas Mathiesen:

“Sociology of law involves methods to describe and theories to analyse the social reality that we live in” (Mathiesen, 2005: 14)

This description is a short summation of what sociology of law is. To understand the relevance to study the deregulation of the law (2001:1276) about standard cashier service in this scientific context, the thesis uses some examples that highlight the importance.

As described in the introduction, there are now many different ways to conduct payments and cash, as a payment method, is not as important as it previously has been. The different methods of payments have developed over time. Before cash, people were exchanging goods to get what they needed. The adjustment of how we pay now can be connected to the digitalisation, with the new digital techniques being in focus for payments. Therefore it is possible to connect the deregulation of the law (2001: 1276) about standard cashier service to the digitalisation in the society. This new era brings a new way of living with it as norms are changing. Just as the time when sociology of law was first developed, under the industrialisation, a new way of living was developed. The digitalisation is even sometimes described as a second industrialisation. It is also predicted that the digitalisation will change our intellectual capacity similar to how the industrialisation the physical capacity of the human kind in the 19th century (Brynjolfsson & McAfee, 2014: 81). We now know that the industrialisation had a great impact on the society and peoples' lives, but the effects of the digitalisation are still upon us. Therefore we can only speculate what consequences it will

have in the future. At the moment, it is only possible to look at the effects that it has had so far. The similarity with the industrialisation is that we stand for a time with great changes and the theories within sociology of law are highly relevant for studies that focus on digitalisation.

Another example for the relevance of the deregulation of the law (2001:1276) about standard cashier service for sociology of law is social justice. It can be said that payment services are a social justice. The right to be in charge of your own money can be counted as a social right and in that payments could be included. When people are not able to pay, it is difficult to claim they are in charge of their own money. When reading work from early scientists of sociology of law, social justice is often debated. As an example, David Trubek explains that many of the early researchers within sociology of law thought that social justice could be achieved with the help of laws and regulations (Banakar, 2015: 248). Furthermore, laws and regulations are often seen as important for social justice. This can also be connected to the welfare state (Banakar, 2015: 248). Welfare state, laws and regulations are there in order to protect peoples' rights. With these ideas in mind, the relation between social justices, the welfare state and payment services are highly noticeable. Can the Swedish state still guarantee the right to basic payment services when the law is removed and replaced by a political goal? This is part of what the thesis will try to find out.

In more recent debates about sociology of law the focus of the welfare state has shifted to a more globalised focus. According to Banakar (2015: 250), the globalisation has led to a shift from traditional regulation to "risk-management". This development includes ways that do not want to use regulation. Instead, Banakar (2015: 250) writes about a "soft law" that is more of governance rather than a regulation. Banakar (2015:250) explains this further by using Lane's (1989) ideas about the "move from welfare capitalism to market capitalism". This is explained by the connection from industrialisation to globalisation. Again, this development can be related to the deregulation of the payment services in Sweden as the law has been replaced by a political goal, which could be connected to "soft law" as it has no legally binding effects. There seems to be a tendency that regulations should not be binding and deregulations are becoming more common. When it comes to digitalisation this development is especially present. Wahlgren (2014: 126) writes about a "self-adjustment" when it comes to digital means and technique. The payment services have been strongly influenced by digitalisation and new techniques, when it comes to how people pay, therefore these ideas are relevant for the research. These thoughts can also be connected to neo-liberalism where it is

the individual instead of the society that is responsible for the welfare of people (Banakar, 2015: 252). With the new technique available, it might be possible to say that it is down to each individual to learn how to manage it.

As an extra explanation of the relevance for sociology of law, the thesis highlights three different perspectives that are relevant for the subject. One of these ideas is called the norm perspective. This perspective is well developed and describes how human norms change and in that way how the society changes. Furthermore this affects the laws as they are closely connected to the norms in a society (Hydén, 1998: 158). How the payment norms have changed will therefore be an important factor according to the norm perspective. Reports about how people pay in Sweden will be used in order to understand how the payment norms have changed. Another perspective that can be closely connected to the norms is the opinion climate in a society. Mathiesen (2005: 87) is describing the opinion climate as something that is often characterised by a large community in a society. It might be difficult to distinguish the differences between the norm perspective and the opinion climate. Mathiesen is explaining the difference that norms are normally changing slowly and the opinion climate can change rapidly. In the thesis I have chosen to study newspaper articles about payment services in order to understand the opinion climate in Sweden. The third area that is mentioned within sociology of law that can change the laws is the materialistic perspective. This perspective has its roots in Marxist ideas. The materialistic perspective focuses on the material things and production conditions and how they affect the laws (Mathiesen, 2005: 88-89). An example within this perspective is that when the technology is changing, like it did in the 1920s when the radio was invented, the laws are affected and changed accordingly (Mathiesen, 2005: 89). Relevant for this thesis is the new technique available for payments. By these thoughts on different perspectives the interaction between society and law becomes clearer. It is not possible to say that any of these perspectives excludes the other. Instead it is rather an interaction of the three perspectives to understand the process.

1.3 Definition of key terms

To understand and to be able to follow the thesis some of the important terms will be defined and explained. This will also be important as some of the expressions can have different meaning depending on the context. The aim by explaining these definitions is to minimise the risk of misunderstandings and misinterpretations.

1.3.1 Basic Payment Services

The term “Basic Payment Services” is defined in the proposition (2006/07:55) about the state’s responsibility for certain payment services. The term is defined in the proposition as:

- Payment mediation, to pay and to charge,
- Cash withdrawals,
- The handling of the daily cash takings of companies and non-profit organisations

In the thesis the expression basic payment services will cover all three of these actions.

1.3.2 Standard Cashier Services

As explained there was a specific law in Sweden that made sure that everyone had the possibility to conduct and take payments for uniform prices. The law (2001:1276) about standard cashier service was regulating this service. The Swedish state was providing the ability to make payments with cash over-the-counter. By using this service people living in rural areas could for example pay their bills or take out cash directly with their postman (PTS, 2008a). The standard cashier service that was regulated by the Swedish law is of much importance in this thesis.

1.3.3 Everyone in society

With the deregulation the law (2001: 1276) about standard cashier service, a new political goal was set. *“Everyone in the society should have access to basic payment services to reasonable prices”* (prop. 2006/07:55 (own translation)).

This expression is not clearly defined by the proposition that got accepted. Therefore the meaning can be interpreted differently. My interpretation is that it includes everyone that is residing in Sweden. Therefore it is no difference if you are a Swedish citizen, or an immigrant, or on holiday in Sweden, all people are included in this term.

1.4 Previous research

There are several reports and investigations on how people pay and how the cash system is working in Sweden. This part will present some of the previous research that is important for this thesis. As there are different factors that determine whether or not people are able to use different payment services I have chosen to focus on two themes when it comes to previous research, digital exclusion and digitalisation.

1.4.1 Previous research on digital exclusion

A part of the digitalisation is the digital exclusion. With the possibility to make your payments without cash, you either need a card to pay with or you need to do it online. That means you need a smart mobile phone, computer or a tablet as well as access to the internet. On top of that you need to know how to proceed in order to make your payment. As not all people in society has all these things and knows how to handle them it means that not all people can conduct their payments online or with a card. In a report from 2015 about the Swedish peoples' Internet habits it was clear that 840 000 Swedes do not use the Internet. From this 840 000 there is 200 000 that do not use the Internet even though they have access to it. That also means that about 650 000 people do not have any Internet at all. The same investigation is also showing that from the 200 000 people that have access to Internet, but are not using it, is mainly elderly people. The investigation is also showing that the knowledge of how to use the Internet is the lowest among older people, but it is increasing even in this age group (Findahl & Davidsson, 2015). This research is showing that it is a large amount of people in Sweden that are living in a digital exclusion, whether it is chosen or not.

Being old is not the only reason for digital exclusion. In a research done between 2006 and 2008 on the ability to use the Swedish employment agency's webpage it was found that there are differences in the ability to use the website depending on education levels and where people live. The study also concluded that it is possible to divide people in those with strong resources and those with weak resources when it comes to handling the Internet (Abalo & Danielsson, 2008). Even though this research was carried out on the employment market, the research can still help to give an understanding to the payment market, because digitalisation is the issue in both aspects. The research is showing that it is a clear difference in how different people handle the digital technique. These differences can be derived from the background that people have. Another research was done in order to find out the possibilities for immigrants to adopt digital technology in Australia. This research found that there were large differences within the immigrant groups to how they could use the digital technique. Reasons for not being able to use the technique were for instance, physical access (both to use it and to get it), and the ability to pay for the technique as well as the knowledge to use it (Alam & Imran, 2014).

Accessibility of digitalisation, as previously mentioned, is a part of the new ways for payments. Simon Harper and Yeliz Yesilada (2008) write that the access to the web is not

only difficult for handicapped people but also many elderly have problems. When people get older many different impairments can come with it, such as movement, sight, hearing and cognitive issues. This is often described as ageing and can be seen as a natural way of life for many people. Therefore, it is not possible to say that problems to use the digital technique are questions that will die with the older generation.

1.4.2 Previous research on digitalisation

As described above the digitalisation is a large part of the development of payment services. Internet and digitalisation are important factors of how the new technique can develop. To be able to use previous research of digitalisation I have focused on digitalisation and sociology of law to be able to find the most relevant findings on both digitalisation and sociology of law.

In a research published by Stefan Larsson and Måns Svensson in 2010 they showed that the law enforcement on Intellectual Property Rights Enforcement (IPRED) had latent dysfunctions as people started using more Online Anonymity Services (OAS) (Larsson & Svensson, 2010). This article can help to understand that laws can have dysfunctions. In the case for this thesis it will also help to understand the dysfunctions that a deregulation could have. Larsson and Svensson (2010) further explain the importance of social norms when it comes to legitimacy. They conclude that when a government is trying to fight behaviour that is socially accepted it might get the opposite effect.

In a report published in 2014 by the same Stefan Larsson and Per Runesson it can be read that trust is an issue when it comes to digitalisation (Larsson & Runesson, 2014). The research was carried out in Sweden. Three main questions concerning security and integrity, institutions of knowledge and surveillance and storage were dealt with. Relevant for this research is their finding that there is a high trust for banks and their digital services. Privacy was also an important issue. The results from the study showed that people did not think that laws were enough to protect integrity and privacy. The results of the research is also pointing out that traditional values are changing when digital possibilities are met (Larsson & Runesson, 2014: 10). For payment services, the trust in banks is highly relevant and also that it is believed that laws are not able to protect your privacy in the digital world. How values can change, depending on if the digital possibilities are met, is also interesting when it comes to payment services and the digital technique.

Stefan Larsson that was mentioned above has published several articles and texts that are relevant for this research. When it comes to theorising and sociology of law the article: *Sociology of law in a digital society: A tweet from global Bukowina* (2013), can help to understand the theory building of the thesis. Larsson (2013) points out that even though digitalization is something new, the traditional socio-legal theorists can be used to explain the change. The reason for that these theorists can be used, Larsson (2013) explains with the change of society. When the traditional theorists for sociology were active in the late 1800s and beginning of the 1900s there was a major change in society because of the industrialisation. It was during this time that the major theorists, like Max Weber and Emile Durkheim were active. Weber and Durkheim have together with many other scientists influenced both sociology and sociology of law. The changes that society was going through during the industrialisation Larsson (2013) argues is something that can be comparable to the changes that society is going through now with the digitalisation of society. Banakar (2012) and Nelken (2007) have both presented research with similar conclusions. Both of them highlights that even though we stand for a new era with the digitalisation, traditional theorists like for example Ehrlich with his “Living law” can be used in contemporary research.

1.5 Outline of the thesis

In the first part of the thesis the reader got familiar with the subject of payment services and how it has developed in Sweden during the last few years. The essential parts such as method and theory also got introduced to the reader in the introduction. After the introduction the aim and research questions were introduced in order to make the reader aware of the purpose of the thesis. To explain the connection to sociology of law there was a short section of the connections between subject and study field. To make sure that the reader understands the key terms of the thesis they were then introduced and explained. That followed by a description of the previous research done in fields that are connected to this study.

In section two the theoretical framework that has roots in functionalism will be presented and discussed. The theory of manifest and latent functions and dysfunctions developed by Merton and how it has been used in previous studies will show the significance of using this theory for this study. In the following section, three, the methodology of the thesis is in focus. The methodological ideas that are important for the understanding of the thesis as well as the

method for carrying out the study can guide the reader to understand the aim of the thesis further.

In the chapter four the legal framework is in focus. The investigations that led up to the deregulation of the law (2001:1276) about standard cashier service as well as other relevant laws will be presented. The following section contains the data collected about how the actual payment market is functioning in Sweden. This part deals with research that has carried out surveys and interviews with people in Sweden. To represent the public debate newspaper articles is also presented in this part.

Next in line for this thesis is the analysis that takes the previous information into account and uses the method and theory in order to analyse if there can be any dysfunctions found that can be derived from the deregulation. This part is then followed by a conclusion that sums up the most important parts of the analysis that is relevant to fulfil the aim of the thesis and to answer the research question. The conclusion then gives ideas and suggestions to future research on the subject. Finally in the end of the thesis the reference list can be found.

2 Theoretical framework

The previous chapter introduced the subject and background information for the thesis. This chapter will present and discuss the theoretical framework. The chapter will start with a discussion of why the chosen theory was selected and the background it comes from. After that a presentation of the theory of manifest and latent functions and dysfunctions and what it can bring to the research will be presented. Thereafter a specific discussion on the different functions and how they should be understood in this thesis will be discussed. Previous research will be able to show how the theory has been used before and what it will bring to the analysis in this study. This section ends with a short discussion on the connection to the research method that will be presented and discussed in the next chapter.

2.1 Theoretical development

To analyse the deregulation of the law (2001:1276) about standard cashier service in Sweden it is necessary to use a theory that is able to work as tool to unfold the effects of the deregulation. In other words, what functions has the deregulation had on the Swedish society? As it is the function or effect of the deregulation that is the aim of this thesis a theory that is derived from functionalism will be used. The function that a law has can be viewed out of different viewpoints, Deflem (2008: 276) writes about them as; law as social control, law as power and law as governance. These different ways of looking at how law is functioning is important for all kinds of research within sociology of law as it is trying to understand law and its impact on different levels. The ideas of functionalism have its roots with ideas developed by Emile Durkheim (1858 – 1917) and Talcott Parsons (1902 – 1979), which are two significant scientists for sociology of law that developed this way of thinking of society. Functionalism can be explained as a macro-theory where the consequences for the social society are important for the analysis (Scott, 2014). To understand the society, Parson was comparing functions to biological organisms that need to have a specific role in order to remain (Banakar & Travers, 2002: 51). In other words, it is important to understand what role a function has in order to understand why a phenomenon survives. Functionalism has been criticised for being an abstract theory with little connection to individuals. This critique is met and explained by Ziegert (2002: 73-75) as something that can be used as to understand the interdependence between law and state.

The importance of functions and the role that they play has led me to the theory of manifest and latent functions and dysfunctions developed by Robert K. Merton (1910 – 2003). This theory will function as a tool in the analysis of the effects of the deregulation of the law (2001: 1276) about standard cashier service. As described above functionalism is interested in the effects that something has on the society as a whole. In order to limit the study I have chosen to focus on the dysfunctions that the deregulation has led to. Larsson and Svensson (2010) write that it is the dysfunctions of a law that is interesting to focus on from a sociological perspective.

2.2 Manifest and latent functions and dysfunctions

Robert K. Merton developed the theory of manifest and latent functions and dysfunctions in his book “Social theory and social structure” from 1949. In this book Merton (1949) describes the difference between different functions. These functions are latent or manifest functions or dysfunctions. What exactly is meant by these expressions will be explained in this chapter. First the term function needs to be explained. A function in terms of sociology of law has been roughly explained earlier as the effects and consequences that a law has. Merton’s own definition of function is:

“...those observed consequences, which make for the adoption or adjustment of a given system.” (Merton, 1949: 105).

To understand the difference between the functions and dysfunctions, Merton describes dysfunctions as:

“...those observed consequences which lessen the adaptation or adjustment of the system...” (Merton, 1949: 105).

The difference between functions and dysfunctions is therefore the fact that functions are actions that are committed to maintain the system. Dysfunctions on the other hand mean that there could be negative consequences for the system and the dysfunctions can disrupt the system that they work in. Whether or not a function is good for the system does not mean it is good for everyone, therefore it may be a dysfunction for some people, but not for all. An example that is given by (Adams & Sydie, 2001: 362) is that of racial discrimination, where

that might be ok for the group in power, but for the racial minority it is a dysfunction. On top of these functions Merton is describing a third function, which he calls a non-function. Non-functions are functions that are:

“...simply irrelevant to the system under consideration...”

(Merton, 1949: 105).

Merton's development of manifest and latent functions has received critique because it can be seen as inconclusive and that the theory cannot be adopted to that many different cases that Merton argued for. The critique has for example pointed out the fact that it is difficult to predict and categorise the consequences into manifest and latent functions. Sometimes the functions might be neither of them (Helm, 1971). Like in many social sciences it is difficult to categorise and decide where certain actions or functions should “fit in”. Even though it might be difficult if not impossible to categorise consequences it is helpful for the analysis. It is also important to keep in mind that people will categorise actions differently. Therefore the explanations of why the actions are thought to be in a specific category are important. That can be linked to how people all have different understandings of things because of different backgrounds, culture and education, which is something that Merton is taking into account when he is writing that functions might have different meanings depending on a person's background.

Above functions, dysfunctions and non-functions have been described, but not the difference between latent and manifest functions. They will be described in separate parts below.

2.2.1 Manifest functions

Merton was describing manifest functions as:

“...those objective consequences contributing to the adjustment or adaptation of the system which are intended and recognized by participants in the system...”

(Merton, 1949: 105)

Describing a manifest function is a function that is resulting in intended consequences for the system, in this case the Swedish society. To be able to recognise the intended effects Mathiesen (2005: 35) is suggesting that you should ask the question: Is the law acting

according to its intentions? For a manifest function the law (or in this case deregulation) should be working according to the intentions written in the law. For this thesis the manifest function will focus on the intentions of the deregulation that can be read in the proposition (2006/07:55) about the state's responsibility for certain payment services. The manifest function is that the payment services should be handled by the market-forces and the state should only interfere in areas where there is no interest for the market to provide payment services.

To understand manifest functions and the complexity of laws it is important to understand that laws can have different functions. The manifest function might be working to some extent, but there are also other functions of a regulation. As an example of this Mathiesen (2005: 35-36) is writing about prisons and the fact that research has shown that prisons do not fulfil their intended effect (manifest function) with adapting prisoners to society. The reasons for a law not to fully fulfil its manifest function can be many. One reason that Mathiesen (2005: 41) is writing about is that the people affected by the law might not even know that it exists. He takes the maid act in Norway as an example that a law did not fulfil its manifest function because the maids who were affected by the law did not know that it existed or what it meant. Several researches show that people in vulnerable groups are not seeking the help they are rightful to get by the laws, in other words they do not use the legal rights that they have. The vulnerable groups that have been researched were mainly connected to low income in the investigations (Eskeland and Finne, 1973). Research on prisons, the maid act in Norway and also ones on legal assistance are all showing that it can be difficult for a law or regulation to achieve its intended goals. Mathiesen (2005: 60) is explaining the problem to achieve the intended goals with the fact that regulations are "landing in a social landscape". This landscape can sometimes affect the laws so that they do not achieve their intended effects. With the landscape explanation it is important to not only look at the law itself but also at the social environment that a law is to function in.

These difficulties for a law to fulfil its manifest functions implicates that laws and regulations might have clear manifest functions, but they might not always be fulfilled due to different circumstances. This then leads to the existence of latent functions and dysfunctions.

2.2.2 Latent functions

Latent functions are described by Merton as similar to manifest functions with the difference that latent functions are:

“...neither intended nor recognised...”

(Merton, 1949: 105)

How is it possible to detect something that is neither intended nor recognised? Depending on how you look at these actions you might say that these effects are just statements and that they cannot be scientifically proven (Olaussen, 2005). However this critique is met by researchers like Mathiesen (2005: 71) who points out that the uncovering of phenomena is important for sociology as a whole. He also explains that to call something a latent function you should be capable of explaining the latent function as feasible as an effect of the law. The proof to show that it can only be this way is not needed. With these opinions in mind it becomes clear that it is important to specify what a latent function means in this specific study. In this thesis a latent function is something that is possible to connect with the deregulation of the law (2001:1276) about standard cashier service, but it does not have to be specifically proven to only be an effect of that deregulation.

To use latent functions in the perspective of the deregulation of the payment services in Sweden it is the effects that are still positive for the deregulation but not anticipated. If the manifest function was for the payment services to be regulated by market-factors and latent function could be that the market is able to come up with new inventions in order to make payments easier, faster and cheaper. It is something positive and can be seen as an effect of the deregulation, but it might not have been intended or a recognised consequence. It might also be other circumstances behind this development, but one reason could be the deregulation.

2.2.3 Manifest and latent dysfunctions

Exactly as manifest and latent functions, the dysfunctions are intended or unintended. However the difference is that dysfunctions are functions that are counterproductive for the function (Merton, 1945: 105). In this case that would mean that something that is unfavourable for the deregulation of the payment services has a dysfunction. These can both be manifest and intended or latent and unintended. To understand this further it can be

explained how it has been used in previous research. Larsson and Svensson (2010) are explaining that a regulation that lacks the acceptance in social norms can be counterproductive and lead to unwanted behaviour. In their research they find that the IPR Enforcement Directive (IPRED) had a latent dysfunction as it was increasing the use of Online Anonymity Services (OAS). This effect was explained by “the enforcement of legislation that has a weak representation among social norms negatively affects the enforcement of legislation that has a strong representation among social norms (Larsson & Svensson, 2010, 77). As this was an unanticipated and counterproductive effect of the IPRED regulation it can be said to be a latent dysfunction. As mentioned above, Larsson and Svensson (2010) write in their article that it is the dysfunctions that are interesting to search for when doing research out of a sociological perspective. This has to do with the negative effects that a regulation might have, which in turn affects the people that have to live with the regulation.

To be able to look further than the intended effects of the deregulation of the law (2001:1276) about standard cashier service I intend to search for irrational patterns that have led to unwanted effects in the Swedish society. Therefore the latent dysfunctions that can have occurred as a result of the deregulation will be searched for using relevant data. Important to point out is the importance of “landscape” that Mathiesen is writing about. The social environment that the deregulation is acting in is affecting how well it is functioning, which means that the social landscape must be ready for such a deregulation in order to fulfil the manifest functions.

2.3 Social theory in legal context

The theory of manifest and latent functions and dysfunctions that will be used in order to analyse the effects of the removal of the law (2001:1276) about standard cashier service in Sweden has its roots in social theory. The theory together with the method that takes its origin in the laws and regulations will be used together to fit into the scientific residence of sociology of law. The method of legal dogmatic takes its origin in the laws and regulations, which are studied in order to try to find out the purpose of the laws (Hollander & Alexius Borgström, 2005). In this case the regulations that are connected to the deregulation of the standard cashier service and the new political goal that means that everyone should have access to basic payment services to reasonable prices will be central for the study. In order to

find out what effects the deregulation has had it is not possible to only focus the research on legal documentation, but the effects in the society needs to be accounted for. Therefore the combination of legal research and social research will show the socio-legal effects of the deregulation. To interpret what the removal of the law about standard cashier service was meant to bring with it, it is important to study what the legislator had in mind as purpose of the law change. This also translates to analysing the internal perspective of a law. By combining the juridical perspective with a social perspective that is focusing on the external effects of the law the combination of social theory and legal method means that the finding of this study will have a socio-legal focus (Hydén & Hydén, 2016: 17-18). With the theory of manifest and latent functions and dysfunctions I want to be able to find out if the deregulation of the law (2001:1276) about standard cashier service might have had negative effects, which were not planned, for the Swedish society. The effects do not have to apply the whole society, but different groups in the Swedish society can have been affected differently.

3 Method

The first chapters of this thesis have described the subject that will be researched and the theory that will be used to analyse the findings. In this chapter the method will be presented, explained and discussed. As this research will focus on the latent dysfunctions the removal of the law (2001:1276) about standard cashier service has had for the Swedish society, the previously done investigations, current laws and regulations will be part of the material used in the study. The effects that the deregulation has had on the society is also needed to be found and in order to unfold them information about the societal situation are of essential importance. This material will be based on previous and ongoing investigations on the subject. Some of the previous research that is used in this thesis is based on qualitative data such as surveys about payment services. With the qualitative method I want to get at deeper understanding of what unintended and possibly harmful effects for the society that the deregulation has had.

This chapter will start with the methodology of the thesis in order to get a greater understanding of the epistemological thoughts that it is based on. Thereafter the process for the data collection will be explained. This is followed by the explanation of the legal dogmatic method and its connection to sociology of law. The reliability and validity of the method is also explained in order to give an understanding of how these aspects are handled in the thesis. The chapter ends with thoughts on the ethical considerations for the study.

3.1 Methodology

The findings in this thesis are based on own interpretations of law and the social effects that it might have. My interpretations of the effects of the removal of the law (2001:1276) about standard cashier service might differ from others. This could be seen as a problem by some scientists, but this thesis has a relativistic approach, which means that there is no universal truth, instead what we think we know is relative to ourselves. These thoughts are relevant to the research because all people have different thoughts of how they are affected by the deregulation and laws in general. It will also be easier to understand that different perspectives are relevant in order to understand the development and different viewpoints of especially the market for payment services in Sweden. Things that affect how people look at

different things are from a relativistic view depending on culture and own interest (Vogt, 2005). This means that my own background is affecting for the outcome of the thesis.

Closely connected to relativism is constructionism. Constructionism means, as the name reflect, that knowledge is constructed (Vogt, 2005). Exactly as in relativism the constructionist idea is that our knowledge is influenced by our culture as well as history and linguistics. As mentioned before peoples' previous experience is relevant to how they find the development on the payment services market in Sweden. Some people might find the deregulation as something good, whereas others might see it as bad. Furthermore this means that society is something that is created by humans and humans are the ones that keep it valid, and in order to do that language and communication is important (Cunliffe, 2008). In this thesis social interaction is what is studied and therefore this epistemology is grounded. However there can be problems to present results as the arguments easily can become circular and therefore a real answer can never be given (Maréchal, 2010). This discussion will not be seen as a weakness in the research. Instead it is thought of as a strength because it can take into different aspects of the effects of the removal of the law (2001:1276) about standard cashier service. The deregulation of the law can have complicated effects and it is therefore important to see all different layers of the problems that this law removal can have changed.

After discussing the epistemological base that the analysis will have it can be related to the qualitative approach of the thesis. For a qualitative research it is the analysis of data that is of main importance (Flick, 2014). To be able to take into account the many different views that the material might have, an open mind is important. I have chosen to look at the payment services from the legal viewpoint. By this viewpoint everyone in the Swedish society has the same regulations to follow however not everyone has the same conditions. Furthermore the research on the development of payments is important for how the majority of the people in Sweden have adapted to the development on market for payment services. By using different sources I want to be able to make a triangular analysis. This kind of analysis can be seen as a form of abduction, with the starting point for the research in the social world. Descriptions of the social world are made in a social scientific way and this then leads to an analysis (Vogt, 2005). As the social world is described in the thesis and by using theory this can be analysed and then lead to conclusions.

3.2 Data collection

First of all the data collection will focus on the specific investigations and propositions leading up to the decision of the deregulation of payment services in Sweden. This was done using different websites that publish legal information. EU regulation that could affect the payment services has also been studied as well as investigations connected to them. Except legal sources the yearly reports about basic payment services written by the Swedish County Administrative Boards have been used. These reports are important because they focus on the problems that have occurred when it comes to basic payment services. The reports written by the County Administrative Boards are also a consequence of the deregulation as they got the assignment to follow up on the development on the payment market after the deregulation and therefore they have been important for this study.

To be able to get an understanding of the public view on the development on the payment market in Sweden I have used current newspaper articles. The use of newspaper articles has helped to get another perspective than official reports and research can give. Of course the views expressed in newspaper articles can be extreme. To handle this I have chosen to reflect both sides of the payment market, the one that wants less cash in society and the one that wants to keep cash. In order to find relevant newspaper articles a search scheme containing the words payment, e-money, cash, deposit and withdrawal was used.

To be able to get an understanding of the current use of cash, cards and other payment methods in Sweden I used recent research on the subject. There is a yearly report presented by Insight Intelligence that is showing the attitudes that Swedish people have towards different forms of payments. These reports are released since 2013 and it is therefore possible to see how the Swedish citizens have changed their payment habits and their attitudes from then until today. Another report that I have chosen to use is called “The Swedes and internet” (Svenskarna och internet). This report shows how people in Sweden uses internet. This is important because the payment market is becoming more and more digitalised. The report is also showing the difference in how people use internet and that some people are not using it at all.

By collecting the different kinds of data it is possible to use it for triangulation, by using information from different sources – laws, authority reports, newspapers and official research. Triangulation is a way to verify the data collected and to get input from different sources.

When collecting data it is also important to focus on the quality of the material used (Corbin & Strauss, 2008: 27). It has been important to find reliable data and as most of the data is based on official reports and documentation it can be seen as reliable. Newspaper articles are reflecting another side of the development that is important for the depth of the study.

3.2.1 Limitations

Because of the great amount of legal documentation and articles on payment services I have chosen to focus on the deregulation of the law (2001:1276) about standard cashier service. Certain laws and regulations that are closely connected to this deregulation will be discussed in chapter four. I will make references to other national and international laws such as the EU directive (2014/92/EU) about payments accounts. These regulations will not be examined and presented in depth but will instead be used as references to make connections that are important for the analysis.

As this is a limited study, time and space limitations are also set. The thesis will only look at the development of basic payment services since the law (2001:1276) about standard cashier service was removed in the end of 2008. However the investigation and proposition that led up to the decision to remove the law is treated in order to get the background information of why the deregulation was done. This is important for the study as the background information is relevant in order to understand the functions that the deregulation was predicted to get. When it comes to space it is only the payment services in Sweden that will be researched. Some EU regulations are considered because of the importance for Swedish regulations. The investigations, laws and regulations that will be examined in this research have been chosen carefully because they treat how people are able to handle their payment services. There are other regulations that treat payment services, but are only focused on the providers of the services and not the people that use them, for example banks. Therefore these regulations will not be included in this study.

3.3 Legal dogmatic method

The method that will make up the foundation of this thesis is a legal dogmatic method as previously written in the theory chapter. This method is looking at the existing laws (Hollander & Alexius Borgström, 2005), in this case there will be several laws, investigations and directives that will be central for this analysis. Legal dogmatic method is a method that is

under debate and what it can include. Claes Sandgren (2009: 9) is writing that the legal method could achieve greater knowledge if legal investigations used more empirical research. By combining legal and empirical material it is possible to complement the traditional knowledge of positive law. In the legal world, problems of integration have occurred when combining empirical and legal material (Sandgren, 2009: 17). To deal with this possible integration issues this thesis relies on social theory, that is more developed to deal with different sources.

All the juridical documents that will be examined in this research have the basic payment services in Sweden as a joint theme. Hydén (1998) is pointing out that the law texts are not subject for source criticism. To understand the law it is possible to use the pre-work and investigations that led up to the legal decision as guidance. This means that by looking at the laws and regulations as well as the investigations leading up to that law an interpretation of what the legislator intended by that law can be made (Hydén & Hydén, 2016: 17-18). Therefore this thesis is using legal documents and the previous investigations in order to make conclusions about the effects of the deregulation.

The method of the legal dogmatic method has been described, but there are several different ways that laws and regulation can be interpreted. Stefan Zetterström (2012: 88) is writing about objective, subjective and teleological interpretation (not to be confused with theology). This thesis will have a subjective and teleological interpretation of the law texts as they can complement each other in a good way. A subjective interpretation is taking the investigations that are made prior a law change into account when interpreting the law to find out the purpose of the law. The teleological interpretation is looking at the consequences and effects that a certain law change has meant to have (Zetterström, 2012: 88-89). Together these interpretations, subjective and teleological, can help to find out the purpose of the law as well as the dysfunctions that the removal of the law (2001:1276) about standard cashier service has had. Even though the name “legal dogmatic method” might indicate that the method will be looking at a general truth, the use of the word dogmatic can be discussed and the exact meaning of the word is intelligible. Claes Sandgren (2009: 124-125) is writing that a more correct definition of the method would be an analytical method rather than dogmatic. In this thesis I have still chosen to call it legal dogmatic method because it is a well-accepted method within legal research. However this method will be used in combination with a sociological method in order to make this a relevant study for sociology of law. As there can be a

significant difference between the law in books and the law in reality the interest lies in understanding the effects. This can be related to Roscoe Pound's (1870-1964) expression of "law in books" as the legal perspective and the "law in action" as the sociological perspective. Pound argues that:

"...decisions must be investigated for the effects they bring about and the conditions under which they do so in terms of social, economic and political development of society"
(Deflem, 2008: 101).

It can further be explained by the fact that when the legal analysis fall short of examine the consequences of a law change the social methods can make up for the shortcomings (Pribean, 2002: 126). This relation can also be explained with the difference of what a law says and how it is in real life. To be able to understand what the impact of the deregulation has had it is important to look at both the legal perspective, "law in books" and at the social perspective "law in action" in order to grasp the effect and consequences that this has had on vulnerable groups in the Swedish society.

3.4 Legal dogmatic method and sociology of law

As written above the legal dogmatic method emanates from the laws and regulations. This thesis is aiming to find out the effects that the removal of the law 2001:1276 about basic cashier service has had on vulnerable groups in the Swedish society. The problem described above about the legal perspective contra the sociological perspective has also been called "the gap problem". This can also be explained by looking at a law's intentions contra the effect on social life (Banakar, 2015: 54). Banakar (2015: 54) writes that a lot of previous research has been focusing on closing this "gap" between law and social life, but instead research should be focusing on the "interplay" between law and society. This is exactly what this thesis examines, even though the law will stand as a starting point, by looking at what decisions stood behind the removal of the law about basic cashier service in 2008. By looking at reports, debate and statistics of the society it can then show how the society has been affected by the removal of the law. In order to be able to understand the changes in society the theory manifest and latent functions and dysfunctions, described in chapter two will be used.

This theory is also focusing on the laws and regulations, but it is the context that is affecting how well the laws and regulations are working. The latent and manifest functions and

dysfunctions are looking at what can be seen as the obvious and not obvious functions by removing the law 2001:1276 about basic cashier service as well as dysfunctions. As described in the explanation of the theory chapter the impact of a law has to do with the “landscape” that it is in (Mathiesen, 2005: 60).

3.5 Reliability and validity

In research, the questions of reliability and validity are important for the credibility of the research. However the terms can be difficult to apply to qualitative research as it has a more specific tradition in quantitative research and natural science. Reliability in research is often explained that the research should be possible to repeat (Payne & Payne, 2004). This is often more difficult when it comes to qualitative research. Because this is a qualitative research it has to take other measures of reliability into account. This research is looking at effects from a deregulation and it is possible to get different results depending on who conducts the research, as there is a human factor to consider. This is also something that Guba and Lincoln (1994: 105-117) have been writing about. They mean that reliability is not something that should be too much focused on in qualitative research. Furthermore, they argue that the researcher should carefully consider how the data is collected and analysed in research. This can also be expressed by the fact that the conclusions in the thesis are reliable or depending on the data collected. Therefore, it is also important to specifically point out that the data collected for this thesis have been carefully assessed and thoroughly selected to be able to answer the research questions. The chosen material has been selected because together it should be able to answer the research questions. The analysis is done with an objective strive. However the human factor still has to be taken into account, which might interfere with what traditional reliability. My own background with an internship at the County Administrative Board did lead to the choice of this subject. Before the internship the subject of basic payment services was unknown to me. With my own background in mind, it is possible to say that I have carried out the study with a sensitivity perspective. Sensitivity in research is described by Corbin and Strauss (2008: 32) as when the researcher is putting him- or herself directly into the research. With the background at the County Administrative Board I have been able to get insight of how the deregulation of the law (2001:1276) about standard cashier service have affected the work for the County Administrative Boards and different issues that have occurred as an effect of the deregulation.

Validity is also a term that can be discussed when it comes to qualitative research. As validity has to do with how good a researcher manages to present the “real world” it is often criticised that validity is not possible when looking at the world with a nonrealism viewpoint. Therefore it is difficult to aim for the traditional way of validity. However validity has been interpreted in different ways when it comes to qualitative research with relativism, as one example, as epistemological view. Instead of focusing on finding the “real” truth it is possible to find out what is true. According to Hammersley (1990) a study can be accounted to be valid when it has gone through a credibility and plausibility test. This can be further explained as the available information has to be taken into account and that I as the person carrying out this study am making accurate judgments with the circumstances for this research subject in mind. More specific, it can be said that the research measures what it aims to measure (Vogt, 2005). This is again difficult to specifically express, as I want to find out what dysfunctions, if any, this deregulation has led to. The information chosen for this thesis has been chosen because it is thought to be relevant in order to be able to answer the research questions. To summarise according to the information given, this thesis aims to be both valid and reliable in the form for a qualitative research.

3.6 Ethical considerations

According to Bryman and Bell (2007) it is important to assess the ethical considerations when writing a thesis. Most of the ethical considerations that need to be handled have to do with research that is carried out with the contact with other people e.g. surveys or interviews. As this thesis is not dealing with any primary data collection, many of the ethical considerations do not apply to the study. However Bryman and Bell (2007) points out that when using secondary sources it is important to follow the correct ways of referring to other authors as well as for the researcher to be as objective as possible. These two points have been taken into account throughout the writing and it is also closely connected to reliability and validity, which is also accounted for. There can always be a discussion about objectivity as most research is affected by the researcher’s own interests. I have chosen the subject out of my own interest and with my personal views on fundamental rights for citizens. As previously written I also have a background in one County Administrative Board where the basic payment services are monitored and reported to the government. The direction that the thesis has is mirrored in my own background, where the negative effects of the deregulation were

important for the work. This is a consciously made choice and discussing both positive and negative effects deeply would not be possible in this limited time and space.

4 Legal framework

In this chapter the legal documentation concerning the deregulation of the law (2001:1276) will be presented and discussed. Laws and regulations that are regulating the payment services in Sweden and in the EU are relevant to understand the circumstances leading up to the deregulation. Except the current laws and regulations on the area the ongoing official investigation ordered by the Swedish government to follow EU regulation will also be discussed in this chapter as well as the investigation that led up to the decision to remove the law about basic cashier service in Sweden. The chapter will end with a small summary of the investigations, laws and regulations that are affecting the situation and development of the basic payment services in Sweden. The legal framework for this thesis will therefore consist of regional laws represented by the EU directive and national laws in forms of regulations, laws and investigations.

4.1 The way towards deregulation

The law that is central for this study is the law (2001:1276) about standard cashier service. This law was created to make sure that all people in the Swedish society had access to basic payment services. Before 2002 this regulation was included in the regulation for postal services (1993:1684). Behind the deregulation of the law (2001:1276) about standard cashier service is the investigation (SOU 2004:52) about the society's need for payment services. In 2003 the Swedish government decided that an investigation was needed to examine the society's need for state support for payment services. The background for this investigation was the development of the Post that had been going from having its own banking services to the separation between the post and the Swedish Cashier Service AB. The Swedish Cashier Service AB was giving their service in different forms; they had their own offices, offices through cooperation partners, through rural postmen and postbags. Behind the decision for this investigation was also the fact that the transaction volumes had steadily gone down for many years. In the last five years the transaction volumes was calculated to have gone down 16% every year. The yearly cost for the Swedish state varied between 700 and 1050 million Swedish kronor a year. When looking at the transaction costs for each transaction it was easy to see that it had gone up. In 1999 the average cost per transaction was 9 SKR and in 2003 the average cost was 20 SKR (SOU 2004:52). This is showing that the service that the state was providing via the Swedish Cashier AB was costly and the cost was increasing at the same

time the amount of people using it was decreasing. The investigation was also analysing why this development was happening. It concluded that new niche banks were providing similar services and the technical development were reasons for people not to use the Swedish Cashier Services anymore. This was also a time when more and more people got access to the Internet and therefore the development of bank services over the Internet had increased. Banks had also used price settings in order to get more people to use more digital services rather than over-the-counter services. The investigation was also pointing out that about 40% of the population between 16 – 74 years had used Internet for their banking services. This was an increase of 50% from 2001. People that were using the cashier service the most were pointed out as young people/students, pensioners, asylum seekers, immigrants, handicapped people, people that were denied bank relations, small businesses and non-profit organisations (SOU 2004:52). When the investigation was done it can be seen that more options had started be available for people and by making certain services more expensive banks could influence people to use digital services for their banking and payment services.

The suggestion that the investigation (SOU 2004:52) about the society's need for payment services made was that the trend towards a decrease of cash use should not be counteracted. It also concluded that all people in society should have access to basic payment services, but it should be up to market to provide this. The state should only make sure that the market takes its responsibility. In rural areas where the market has no interest in providing payment services it should however be up to the state to provide basic payment services.

The investigation was sent out for referrals to different instances. Some of the responses to the investigation were critical. As an example did the Gothenburg city office (Göteborgs stadskansli, 2005) express a worry that it would not only be rural areas that would be affected by the law change. As an example they write about bank offices closing down in the suburbs of Gothenburg leaving people that are not able to handle the new digital technique for payment services to travel to another bank office. The same referral is also expressing a worry that if payment services are left to the market-forces it might lead to increased risk for private persons, companies and organisations that handle cash as they need to travel longer in order to get to a bank office to bank their money (Göteborgs stadskansli, 2004).

Despite the referrals the investigation led up to a proposition that was handed in by the Swedish government in 2006. A lot of the comments in the investigation were taken into account in the proposition that also suggested a new political goal that said that:

“All people in the society should have access to basic payment services to reasonable prices”
(prop. 2006/07:55).

This proposition was accepted by the parliament and the law (2001:1276) about standard cashier service was dissolved in the end of 2008 (Sveriges Riksdag, 2007). This change from a law to a political goal makes it possible to see the strength of the statement as less meaningful compared to a law, which means that you are not forced to follow it in the same way as with a law. It also leaves it open to the payment market to regulate the access to basic payment services. In order to follow up on the new political goal it was also decided that the County Administrative Boards should monitor that the basic payment services are fulfilled everywhere and the Post and Telecom Agency (PTS) should be in charge of procurements when the services are not fulfilled, as well as information and education when that is needed (prop. 2006/07:55). The information and education part was in 2013 moved to be a part of the work of the County Administrative Boards (Länsstyrelserna, 2015).

In 2014 a new regulation about state support to providers of basic payment services was implemented in 2014 (SFS 2014:139). This regulation is described below.

4.2 After deregulation

In order to make sure that all people in the Swedish society have access to basic payment services to reasonable prices the Post and Telecom Agency first did a procurement to secure the access to payment services. However this solution did not work out effectively and therefore a new regulation (2014:139) about state support to providers of basic payment services was implemented. The regulation is setting the guidelines for how this state funding is to be paid out. It is first of all following the EU regulations on state support, which can be found in the decision by the European Commission (2012/21/EU) from the 20th of December 2011. In order to get funding from the state the institution that is getting the support should have been entrusted to provide basic payment services (SFS 2014:139). In the regulation it is written what needs to be fulfilled in order to get support. A company that is estimated to be able to provide basic payment services can do so if there is a need for it and there is enough

money available, there is a certain budget for this every year. The distance to the closest place where payment services are available should be taken into account when deciding if there is a need for basic payment services at that specific place. Another prerequisite is that there should not be any reason to believe that any other provider of basic payment services should want to start a service on commercial basis in the near future (§4, SFS 2014:139). It is the local County Administrative Board that is deciding if there is a need for an agent for basic payment services. This regulation is clearly stating that in order to get state support there cannot be thought that the area is in interest for any actor on the market to provide payment services in the area (SFS 2014:139).

This development that has been described that led up to the deregulation of the law (2001:1276) about standard cashier service follows the trends in how people want to pay. As can be understood from the investigation (SOU 2004:52) about the society's need for payment services more and more people were using the Internet to handle their basic payment services. This can be seen as a change in payment norms, but professor Mats Franzén (2015) is also pointing out that more and more service institutes wants more and more service to be handled online, especially the banks. Therefore it could be seen as a combination of peoples' payment habits and how the banks have driven the process to their advantage. When it comes to where an institute chose to open its business it is mainly areas that are having a lot of customers, but if it has a bad reputation institutions stay away from the area (Franzén, 2015). This could be the case with suburbs as many of the ones are connected with low income and criminality. A research published in 2015 on 38 of Sweden's most exposed suburbs show that low income, high unemployment and low education is more common in suburbs than in other areas of Sweden (Edling, 2015). The change of where institutions choose to place themselves has also changed because of our driving habits. But according to Franzén (2015) as long as there are no directives regulating how the services should be in suburbs and other places services can only develop on its own premises.

4.3 EU regulations for payment services

For the EU it is also important that all people have access to basic payment services. This is regulated by the directive (2014/92/EU) about the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features was decided by the EU in 2014. This directive was implemented in Sweden in September 2016

(2014/92/EU). Even though the main focus of this directive is payment accounts and how the inner market should be more competitive it is also affecting payment services. In article 16 in the directive it is written about the right to a payment account with basic features. It can also be read in this directive that all member states should guarantee all consumers in their territory access to a payment account with basic features. It should not be too difficult to get a payment account and it is up to the member state to guarantee this. In article 17 in the same directive it is described what is meant with a payment account with basic features (2014/92/EU). It can be read that it should be possible to make payments and take out cash as well as to have money paid into the account, which includes what is meant with basic payment services. This directive will mean an improvement for a lot of people that previously have had problems to fulfil the requirements to open a bank account. However as this directive has recently been implemented in Swedish law the effects are yet to be seen. However another directive (2015/849/EU) about money laundering is about to be reinforced, which might have the opposite effect compared to the directive (2014/92/EU) about the right to a payment account. The new reinforcement includes stronger background check up on people opening a bank account (SOU 2016:8). These two directives could be seen as counterparts. The first directive (2014/92/EU) about payment accounts with basic features indicates that it should be easier to open a bank account. The directive (2015/849/EU) about money laundering is indicating that it might get more difficult to open a bank account as the identification rules are getting reinforced.

In April 2015 the Swedish government decided to start an investigation about payment services, interchange fees and basic payment accounts in order to make sure that the Swedish regulation was able to handle the EU directive (2014/92/EU) about the right to payment account with basic features. This investigation left an interim report on the 14th of January 2016. Included in the interim report that was presented in January 2016 was the part of the investigation that was investigating if the Swedish law corresponds to the EU directive (2014/92/EU) about the right to payment accounts with basic features. The investigation was supposed to present any suggestions for law changes if they found that any were needed. In the interim report it is possible to read that the investigator finds no reason to change any Swedish laws. In the part about payment services the investigator came to the conclusion that nothing needed to be done as the need for this is not in proportion to the extent of the problem (FI 2015:02). This conclusion has been criticised from the Swedish Central Bank in a referral that they wrote about the investigation. The Central Bank is writing that the payment market

in Sweden has been changing fast and risks to exclude certain groups in the society. The handling of cash has been regulated by the finance companies (banks) and if the process continues in the same speed as it has so far the requirements in the EU directive (2014/92/EU) about the right to payment account with basic features will not be fulfilled (Riksbanken, 2016b). This referral indicates that the Swedish Central Bank is critical to how the current laws and regulations will be able to guarantee the right for people to a payment account with basic features. It is also possible to understand their referral as if they suggest that credit institutes or banks should not be allowed to choose if they should provide cash or not.

4.3 Summary of the legal framework

To sum up the legal framework a breaking point can be found with the investigation (2004:52) about the society's need for payment services as it came to the conclusion that the state owned company "Svensk Kassaservice AB" should close and the market-forces should regulate the payment market. The implementation of the deregulation of the law (SFS 2001:1276) about standard cashier service was the starting point of a new kind of era on the Swedish payment market. The state was no longer guaranteeing the possibility to make payments over the counter or by the postman for those living in rural areas. This development can be said to follow the development of a law. Wahlgren (2014: 125-126) is writing about how a law should be developed and is pointing out that a legislation should only be made when it is absolutely necessary, otherwise the market forces should decide the development. In the case of payment services it is possible to understand that the legislation has taken the other way, legislation was in place, but was seen as no longer necessary and it is now left to the market to regulate the availability. However Wahlgren (2014:124) is also writing that the market seldom has interest to produce services or products that are aimed at people that can be called resource weak. These people are also more likely to not be able to use the available services and products. The reasons for not being able to do this can be economic or lack of technique or interest. This indicates that the market forces can lead to an exclusion of certain groups in society. To handle this, the Swedish state left the responsibility to the Post and Telecom Agency as well as the County Administrative Boards to monitor and give state support to institutions that want to handle payment services in places where the market is not able to fulfil the demand.

A political connection that also can be made with why the deregulation happened exactly when it did is the Swedish government that at the time was conservative and more for deregulations than a traditional social democratic government might have. In the voting it is clear that the parties that formed the government then all voted for the deregulation and the other parties voted against it (Sveriges Riksdag, 2007). This result from the voting shows a traditional political viewpoint where the conservative and liberal political parties run a politic in favour for the market forces. Whereas the political parties on the left side rather have more state control.

To sum up in Sweden there is no law about payment services, but a political goal that *“everyone in society should have access to basic payment services to reasonable prices”*. Both the Post- and Telecom Agency and the County Administrative Boards follows the development. There is also a regulation that regulates the state funding of providers of basic payment services. There are two EU directives that basically are counterproductive for each other when it comes to open bank accounts. The Swedish Central Bank is critical to if the current laws and regulations are enough to guarantee people access to a payment account with basic features, where basic payment services can be included.

5 Payments in Sweden

This chapter consists of a brief history of payments in Sweden. A historical background is important for the understanding of the current payment market in Sweden. Thereafter the yearly reports about basic payment services from the County Administrative Boards in Sweden will be presented and discussed. These reports are presented yearly and are a result from the proposition (2006/07:55) that was accepted in order to remove the law (2001:1276) about standard cashier service. The chapter will end with a discussion of the media debate about cash and payment services in Sweden. Media plays an important role when it comes to forming the public opinions. By understanding and having a picture of how payment services and the development of payment options is presented in the media it is possible to get a more wide understanding of the development in Sweden.

5.1 Historical background

Payments have a long history, starting with the trading with goods. To ease the trading the first coins were created. As coins are heavy this payment form got developed into paper notes (Reed Edge, 2014). In 1661 the first bank opened in Sweden, with the name Stockholms banco. The idea with the bank was to make the handling of money easier. This was more than 600 years after the first coin was produced in Sweden in year 995 and it was also in this bank that the first printed banknotes in Europe (Riksbanken, 2011a). Today banks are important for our day-to-day lives, salaries, allowances and transactions are only a few things that pass through our bank accounts. Doing payments with cards started first during in the mid-20th century and only got popular in the end of the century (Mastercard, 2016). The digital payments have become more and more popular, but there are still people that prefer cash when they pay. As mentioned in the beginning of the thesis, Sweden is often quoted to be the “most cash-free society in the world” (Russell, 2014). The development in Sweden is one of the fastest in the world and according to docent Niklas Arvidsson at KTH Royal Institute of Technology in Stockholm, Sweden can become the first cash-free society in the world (Ahlfort, 2015). However the cash-free payments are growing in the rest of the world as well. In Capgemini World Payments Report it can be read that cash-free payments are expected to be over 10% for the first time this year. The largest increase of non-cash payments can be expected in China (Capgemini World Payments Report, 2016).

5.2 Payments in Sweden today

As described the payment history is an important part when understanding the current development. When trying to figure out the effect that the use of less cash might have there has been some research on the topic. To find who the winner is by a cash-free society Arvidsson (2013) points out that it is the trade and card companies that will be the large winners. The losers will be those that rely on cash, mainly the black sector with illegal operations that are cash-reliant. Small companies that handle cash are also sensitive for a society with less cash. However, Arvidsson (2013) is mentioning the EU directive (PSD2) on payment services that he thinks will speed up the competition between payment providers and by increased competition the prices will go down. This way, even a small company will be able to afford other payment services than cash. The cost for society can also be taken into account when discussing cash and their role. There have been several research (Segendorf & Jansson, 2012, Bergman et.al. 2007, Humphrey et.al. 2006, Guiborg & Segendorf, 2007) that indicates that cash is costly for the society. To demonstrate the socioeconomic cost for payments the GDP for payments was calculated. The cash, bank- and credit card transfers stood for 0,54% of the Swedish GDP in 2009. From this 0,26% was from cash, credit cards 0,19% and bankcards 0,09% (Segendorf & Jansson, 2012). Even though cash can be proved to cost more for the society from a socioeconomic aspect it is still an important payment method. The recent exchange of money and coins by the Swedish National Bank indicates that cash will still be an important payment method for many years ahead. Cash has a well-known principle that is acknowledge around the world. To be able for another payment method to take its place Arvidsson (2013) is writing that the other method needs to be built on the same principles as cash – “there is a promise that cash is a guarantee to future return that can be guaranteed by the state” (Arvidsson, 2013: 8).

How people actually pay in Sweden is shown in the yearly report “Sweden pays” (Sverige betalar, published yearly since 2013). In the latest report from 2016 it is possible to read that people in Sweden that uses cash a couple of times a week or more has decreased with 25% since 2013. The amount of people that answered that they use payment-apps a couple of times a week or more often has increased with 15% (IIS, 2016). These numbers can be understood as more and more people in Sweden are using alternatives to cash when they are paying. A great example of using alternatives to cash is Swish. Swish is a mobile application that makes it possible for people and companies to transfer cash in real time using a mobile phone number. The payment service is a cooperation between the six largest banks in Sweden. The

banks created the mobile application in order to create a way to transfer money fast and easy (Swish, 2016). As the report “Sweden pays 2016” (IIS, 2016) shows, Swish has increased a lot in only two years. From 19% of the respondent’s 2014 to 66% of the respondents in 2016 answered that they use Swish. The same report has also found that how people choose to pay differs depending on their background. Older people in the countryside prefer cash and younger people in the cities prefer digital payment services, of course it varies, but that is a rough guide to the findings. In another study done by the Swedish Central Bank it is also clear that people with low income and low education uses cash more than those people with a higher income and high education (Riksbanken, 2016c). The report, Sweden pays, also investigated if people are worried when they use digital payments and there is a clear tendency that people are worried when they use payment applications and to get their credit card details stolen (IIS, 2016). That older people are less likely to use digital payments is confirmed by the research on Swedes and their Internet habits (Svenskarna och internet). In the latest publication from 2016 it is written that 7% of the Swedish population is not using internet. Most of the people that do not use internet are older people over 65 years. However in this group there has been a large increase of internet users from 50% a few years ago to 86% this year (IIS, 2016). The internet use can be seen in figure 2.

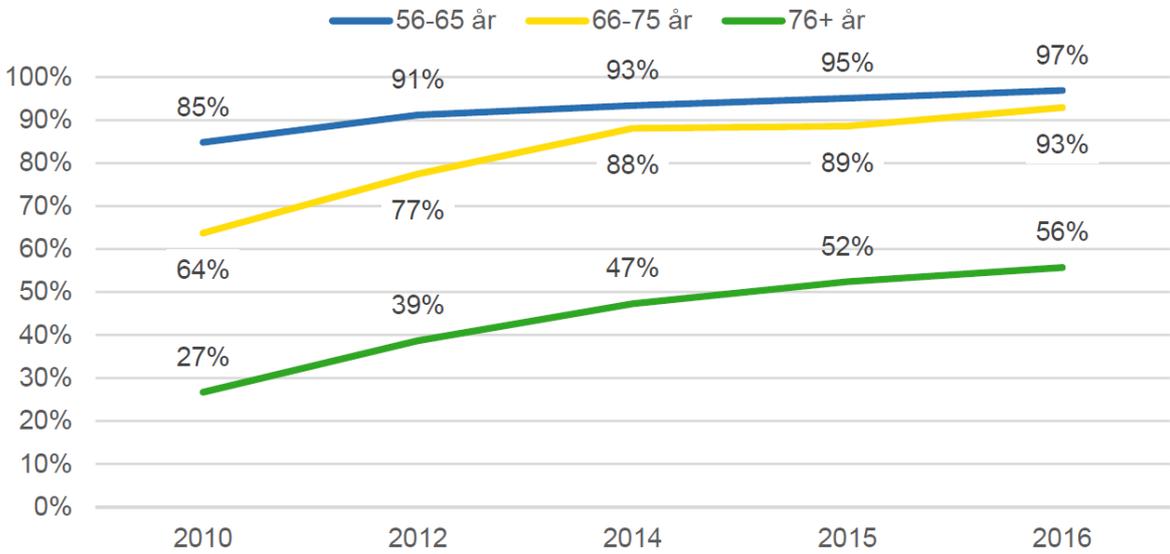


Figure 2 (IIS, 2016)

5.2.1 Bank development in Sweden

As mentioned in the introduction the amount of bank offices in Sweden have steadily decreased. During the last four years more than 250 bank offices have closed in Sweden. On

top of that more and more of the bank offices that still exist handle less and less cash (Strömberg & Magnå, 2016).

Year	Bank offices handling cash	Cash free bank offices
2011	1415	328
2015	694	895

Figure 3 (Länsstyrelserna, 2015)

There is a clear trend to be recognised, the banks are moving away from cash-services and to more centralised offices. The banks are often explaining the decrease of offices with reasons that it is less people visiting the offices and it is easier to provide consulting advice in larger offices (Svensson, 2016). In an interview with Susanna Grufman who is working at the unit for cash supply at the Swedish Central Bank she is saying that it is also possible to believe that the services from banks can decrease as well as an effect of people using more and more digital payment methods instead of cash. The closing of bank offices could therefore be seen as being connected to the habits of paying. However a problem that is often mentioned is that the change is going too fast and digital alternatives are not possible to use for everyone. Grufman (2016) is also pointing out that the distances that people have to drive in order to put their money on a bank account is a problem for many people (Riksbanken interview, 2016). This trend has been going on for a few years and it does not seem to change. However is Marku Tinnilä (2013) writing that even though the trend for banks seems to be going toward more digitalisation and less cash it might be changed by the fact that the population is getting older. Tinnilä (2013) means that the digital trends have focused on younger groups in society, but in order to keep the digital trend within banks going, all groups needs to be accounted for. With more and more people getting older, this could be highly relevant for banks and the future of cash services.

To understand the development of the payment services it is also important to have an understanding of how the structure for cash is in Sweden. The national bank is giving out coins and notes and taking back broken or invalid ones. The national bank is then providing banks with cash. How the cash flow is circulating today is illustrated in figure 4 (Riksbanken, 2016d).

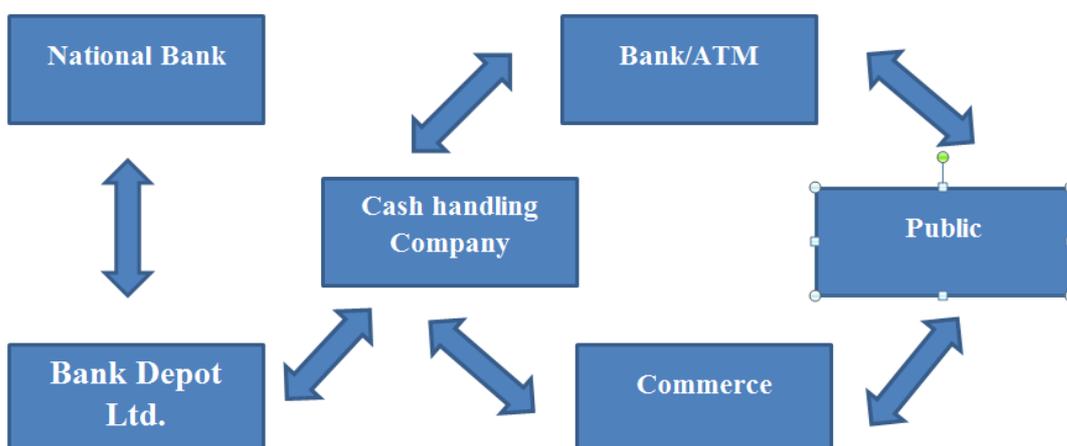


Figure 4 (Riksbanken, 2016d)

By this figure it is clear that the role of the National Bank is limited to giving out new coins and notes and handling old ones. The rest of the cash flow is dealt with by private actors and the public. Before 2005 the National Bank owned the different depots around Sweden, but after a decision in 2004 that was taken to improve the efficiency of the handling of the cash flow it was decided that the banks would have their own depots. The Swedish National Bank does not have any cash depots since 2005. With this reorganization the cash flow was planned to be more efficient. During this time it was also three big companies and several smaller that transported the cash (Riksbanken, 2011b). However after the bankruptcy and scandal of Panaxia, one of the biggest cash transportation company, it is now only two companies transporting cash in Sweden. In a report written by the Swedish National Bank it is possible to read that the national cash flow is threatened when one of the actors disappear (Riksbanken, 2012). With the actors being even less today it is possible to presume that the cash flow is even more dependent on the two main actors that transport cash and that they will stay in business. The decrease in the amount of cash in circulation might however show that the dependency on cash is decreasing.

Cash in circulation	2011	2015
	99 billion SEK	77 billion SEK

Figure 5 (Riksbanken, 2016e)

Looking at the numbers for 2016 it looks like the speed of the decrease of cash has increased as it is below 63 billion SEK in circulation (Riksbanken, 2016e). It is possible to connect this decrease with the ongoing change of old coins and notes to new ones. The fast decrease of cash and the problems that it brings with it is something that the Swedish financial markets minister, Per Bolund has noted. He says in an interview that “The transfer to society with less cash must be carried out in a way that leaves no one behind. I assume that the banks take their responsibility and makes sure that their customers can use cash even in the future” (Bolund, 2016)

5.3 Reports from the Swedish County Administrative Boards

Since 2009 when the Swedish Cashier Service AB was closed down, the County Administrative Boards in Sweden has had a responsibility to analyse and follow the development of the basic payment services in Sweden. With this responsibility they monitor if all people can use and have access to the basic payment services. From 2013 they also have the responsibility to initiate support and development for payment services when that is needed. This is regulated by the regulation (2014:139) about state support to providers of basic payment services. In their latest report from 2015 they highlight the people that are directly affected by the changes with the basic payment services, these are:

- Elderly people that have problems to learn the new technique
- Elderly people that have disabilities that makes it difficult to perform payment services
- People with disabilities that cannot use certain services because of availability (example: when ATMs are too high, buttons are too small, there is no text-to-speech (TTS) and the colour settings make it difficult to see
- People with bad economy that cannot afford equipment or subscriptions that is needed
- Immigrants that has not yet received access to a bank account as they do not have valid IDs
- People that live in technical exclusion for different reasons, it could be because they come from countries where the digitalization only just begun or they do not want to use the digital technique

These are the people that are directly affected by the payment services issue according to the reports from the County Administrative Boards in Sweden. It is also important to point out that there are many people that are affected indirectly when people cannot handle their

payments. These people are for example; relatives, home-care staff and personal assistants (Länsstyrelserna, 2015).

When it comes to companies it is mainly smaller companies that use a lot of cash and that is placed in the countryside that is especially vulnerable. The most common problem is the possibility to put the money on a bank account and to get hold of exchange money. For companies in a rural area it is not always possible to use the new technique as payment method because the Internet network is not available everywhere. Shops and other service companies have also gotten a more important role as developments of a lot of the banks are not accepting cash anymore. The County Administrative Boards can report that with this important role the responsibility has increased and they have noticed that it has become more difficult to recruit new payment agents. The responsibility to handle cash as a countryside supermarket is more often seen as a burden according the report in 2015. The shopkeepers are also expressing a worry for burglaries as it gets known that they handle more cash than normal (Länsstyrelserna, 2015).

There is also well known problems for organisations. It is hard for the organisations to handle their payment services and the problems are only increasing. Most of the organisations are on a non-profit base and active members have to deal with a lot of responsibility. Cashiers in an organisation often store cash in their private homes and uses their private account as a step to put cash on the organisations bank account to avoid costs. This together with harder rules as a step to tackle money laundering has according to the County Administrative Board's reports led to difficulties to recruit cashiers to compounds. This in turn has led to that more and more compounds choose to close down its activities (Länsstyrelserna, 2015).

To sum up, the latest report describes difficulties to handle the basic payment services for private people, companies and organisations all over Sweden. Most exposed are elderly people, people with disabilities, immigrants, companies and organisations on the countryside and in other rural areas such as the archipelagos.

5.4 Public debate on payments in Sweden

To get an understanding of the effects of the deregulation of how the law (2001:1276) about standard cashier service have been received by the public in Sweden I have chosen to study

newspaper articles. There are two sides of the development towards a society with less cash. One side is more positive and the other one is more negative. It is the negative side that is taking more space in the newspaper debates and it is also that side that is more upset about the change. This can be seen in newspaper articles from the last year where articles have focused on banks that are closing and cash withdrawals machines that are removed. As an example the local newspaper in Dalarna has an article that is taking up the relation between banks that cutting cash services and at the same time making large profits (Laggar, 2016). To battle the development of less cash in banks and shops a movement called the “The Cash Uprising” (Kontantupproret) was started. The former national police commissioner Björn Eriksson is the founder of the Cash Uprising has been writing articles in order to affect politicians to do something about the cash-situation in Sweden (Eriksson, 2015). This movement is also pointing at many things that have helped the debate to decrease the cash flow. Examples that have been connected to cash are: bacteria, robberies, costs, crime and the environment. These are all known arguments when discussing why it might be better with a cash-free society or at least less cash (Kontantupproret, 2016). The Cash Uprising is supported by several other organisations such as pensioners’ organisations. As I have been following the debate about cash in the newspapers for about 6 months I would say that this is a short way to express this side of the public opinions.

The interim report that was published on the 14th of January has also been receiving a lot of attention in media, as people seem to have expected the report to come to other conclusions. An example of this frustration from people that has been published can be collected from a local newspaper where it can be read in a letter to the editor that PRO (a Swedish organisation for retirees) was looking forward to constructive ideas of how the cash issue would be dealt with, but it is not what the interim report delivers (Berndtsson, 2016). There were several articles commenting the investigation and most of them come to the same conclusion – the investigation is not coming to a sufficient conclusion. These articles are also pointing out that it might not be sure that Sweden will follow the EU directive if nothing is done about the access to payment services involving cash (Arleij, 2016).

There is also another side to the debate where the good of the decrease of cash is lifted. One of the strongest parties is the union for commerce (Handels). They argue that the work place for people that today is dealing with cash will get better. For example will the risk for robbery decrease, which has many positive effects, mainly for the employees that do not need the

rehabilitation that many people need today after a robbery. It would also mean that it is harder to launder money as the shops would not accept cash (Gideonsson & Colde, 2015). This side is not as active with debate articles, which can be understandable because the development is going the same way as they lobby for.

These two sides can be said to represent the public debate that is circulating in debate articles and other channels such as websites and lobbying.

6 Analysis

The laws, regulations and empirical material were presented in the previous chapters. This will now be used together with the theory and method in order to do the analysis. This chapter will analyse how the deregulation of the law (2001:1256) about standard cashier services has affected the society in Sweden with special focus on the dysfunctions. With the starting point in the legal framework and the results that can be found in the society, this chapter will use this information and apply the theory of manifest and latent functions and dysfunctions. I will start with a brief summary of the manifest and latent functions that the deregulation has had. Then I will go on to a deeper analyse of the dysfunctions that the deregulation has led to. To understand the latent dysfunctions it is useful with the summary of manifest and latent functions. This chapter will end with a short summary of the analysis from its different parts of departure.

6.1 Deregulation of payment services – manifest functions

From the proposition (2006/07:55) about the state's responsibility for certain payment services it is clear that the intended effect (manifest function) is that the market will regulate the payment services. It is also important to remember the political goal that: *“everyone in the society has a right to basic payment services at reasonable prices”* (prop. 2006/07:55). This political goal clarifies the connection between the deregulation and the focus on basic payment services. Another, maybe not so clear, manifest function of the deregulation is lower costs for the state. In the investigation (2004:52) about the society's need for payment services it is expressed that the average cost for each transaction was rising because of the fact that less people were using the services. Therefore it is also possible to see the deregulation as something that fits in with protecting how funding from the state is spent.

As mentioned above the deregulation can also be seen as a political goal from the conservative parties that were in the government at the time. This becomes clear when looking at the voting to accept the proposition (Sveriges Riksdag, 2007).

The deregulation of the basic payment services can also be seen as something fitting with the time. As written by Banakar (2015: 250) there is a tendency in modern times, where risk management has become important, to move over to “soft law” instead of regulations, this

could be seen as an effect of the complex society that we live in today. As the law about payment services was exchanged to a political goal it is possible to see that as a manifest function. It is however not clear if using a political goal was seen as way of deregulating, but it might have been a way for the politicians to express that they still care for the availability of payment services but a law was too costly. This again reflects the cost perspective for the deregulation.

These are the intended and obvious effects of the deregulation of the law (2001:1276) about standard cashier service that can be found from the research. However there might be more effects that can be seen as positive but instead of being intended they can be seen as unintended, or latent.

6.2 Deregulation of payment services – latent functions

The latent functions are the unknown or unintended functions that are positive for the system. When looking at the latent functions that the deregulation of the payment services has had it is possible to see that the amount of cash is decreasing in society. This was shown by the amount of cash in circulation according to the Swedish national bank (Sveriges Riksbank, 2016). If this is directly connected to the deregulation can be debated as it is possible to be an effect of the digitalisation as well. Most likely it is an effect of both the deregulation and the digitalisation. Not to be forgotten is that the deregulation is connected to the digitalisation as the Swedish cashier service AB was closed because of the decreased amount of customers.

Another latent function that possibly could be derived from the deregulation or it is at least helping people to solve the problems that might occur when less cash is in circulation. That is innovations, especially Swish. The amount of people that use Swish, has increased a lot in only two years, which research from Insight Intelligence show (IIS, 2016). As Swish is a cooperation between the largest banks in Sweden it is also possible to see it as latent function of the deregulation when it comes to the banks cooperation. The cooperation between banks can also be seen when looking at the money depots, where cash from the central bank gets delivered. The banks also created a company together to run the machines for cash withdrawals. This is of course a way for the actors on the market to get more effective. This could be seen as a latent function from the perspective of the banks. From the society as a

whole, this cooperation between the large banks in Sweden can be seen as a dysfunction. The reason for this will be explained below.

6.3 Deregulation of payment services – dysfunctions

Merton (1946) was describing dysfunctions as something unwanted and negative for the society. With the deregulation of the law (2001:1276) about standard cashier service this thesis wants to find out if there have been any negative effects from the deregulation. Because of the political goal that was set in the proposition (2006/07:55) about the state's responsibility for certain payment services, the basic payment services have been in focus.

In the investigation (2004:52) about the society's need for payment services it can be read that certain groups in society are pointed out to get problems if the law (2001:1276) about standard payment services is removed. These groups were pensioners, asylum seekers, handicapped people, small businesses in the countryside, non-profit organisations and people that were denied bank accounts. Even though they did not use the state-funded cashier service to a great extent, they were still using cash in a larger degree compared to other citizens. These groups are the same groups that are singled out as having problems with their basic payment services. Because these groups were mentioned in the investigation as well as the proposition leading up to the deregulation it can be seen as a manifest dysfunction, it was a known effect. When the law was removed the banks were still handling cash to a large extent. Whether or not the decrease of bank offices handling cash can be related to the deregulation it is clear that the County Administrative Boards have focused on this development in their reports.

The latent dysfunction that can be derived from the deregulation is that the market-forces are speeding up the change away from cash faster than people can handle it. With market-forces, it is worth pointing out that it is the free market that is regulating the market in Sweden. This development can be seen as counterproductive for the Swedish society. As can be read from the public debate, there are many people that are upset about the change that there are less and less places that accept cash. The society has come a long way in finding solutions for transferring money between accounts, but as long as not all people can use the new solutions there is a failure to fulfil the political goal that all people in society should have access to basic payment services. What can be noticed in different statements from the manager of the

Central Bank and the financial Markets Minister is that there might become a new law that is regulating the banks to handle cash. The deregulation had consequences on the market that might lead up to a new regulation, almost ten years after the deregulation. In the reports from the County Administrative Boards it is also possible to read that they are having problems to recruit new agents that can provide basic payment services in areas where the market has no interest. This means that the political goal that everyone in the society has a right to basic payment services is not met. The reasons for shops or organisations not to handle payment services are probably many, but the security of handling cash could be thought to be one reason. With this development it is possible to see that it is the banks setting the agenda, not the free market. It seems as if the people have no other choice than to follow the rules that the banks are setting. This leads in to the discussion about the cooperation between banks and the oligarchic development, where very few actors are in charge of setting the agenda, which can be detected on the payment market. When the large banks have several institutions where they cooperate, it could be seen as working against the market rules. On an open market different companies compete in order to win over customers. When it comes to the banks in Sweden it seems as if they cooperate in order to find solutions that can decrease the use of cash.

Another latent dysfunction that can be found is the dependency on companies that transport cash. As seen in 2012, there were disruptions in the cash flow when the transport company Panaxia went bankrupt after allegations of peculation. This shows that the cash distribution is sensitive to any changes of companies on the market. At the moment there are only two companies that transport cash in Sweden. These are both large actors that have business in other countries as well. But if any of these companies would decide to stop the transportation of cash in Sweden, the cash supply could harm many people and companies. This becomes an even larger problem when banks do not handle cash as there is no back-up when it comes to cash supply in many places. The two companies that handle the cash transportations are also only dependant on each other to set prices and organise the infrastructure. It is possible to see that these companies can influence the market by their pricing and choice to drive certain routes. This makes the countryside in Sweden specifically vulnerable and affected by the move from a law to a political goal. The countryside is not always interesting for the free market to act in. The problem to find solutions that is providing payment solutions to the countryside is something that the County Administrative Boards have reported. This problem is something that could be connected with the fact that the law (2001:1276) about standard cashier services was replaced with a political goal and that is not as effective as a law.

6.4 Summary

To sum up the effects that the deregulation of the law (2001:1276) about standard cashier services has had on the payment services in Sweden it is possible to see both positive and negative effects. As this study set out to find the dysfunctions of the deregulation it is important to highlight what the deregulation actually meant. With the deregulation the Swedish parliament wanted the payment services to be handled by the free market-forces. The law was replaced by the political goal that “all people in the Swedish society should have access to basic payment services to reasonable prices” (prop. 2006/07:55). This means that it was still important for the decision-makers that everyone could perform their payments, but it should be handled by the market.

The dysfunctions of the deregulation are connected to the fact that vulnerable groups now have problems to perform their payments. This can be seen as an effect of the decrease of cash in the Swedish society. The decrease of cash in circulation can be derived from the deregulation of the law (2001:1276) about standard cashier service, but it is not the only reason for the change. What might have been anticipated was that if one bank chooses not to handle cash another one would handle cash in order to attract customers that prefer to use cash. However the financial incentives for the banks to decrease the handling of cash seem to be larger than to attract new customers. This development seems to have led to a market where the banks have set the agenda for cash and when more and more banks chooses not to handle cash more banks seem to see the cost-saving effects that it brings with it. The political goal that all people in society should have access to basic payment services seems to be difficult to achieve from the perspective that cash should be involved. The fact that the state, with help from the County Administrative Boards, should use state funds to make sure that payment services are catered for where the market has no interest seem to be difficult. According to the reports from the County Administrative Boards (2015) it is difficult to find agents that will provide basic payment services.

7 Conclusions

This chapter will conclude the research by answering the following research questions:

- *Has the deregulation of the law (2001:1276) about standard cashier service led to any latent dysfunctions?*
- *If it has, what are the latent dysfunctions and what effects do they have for the people in Sweden?*

To answer the first question, I would answer yes. The deregulation of the law (2001:1276) about standard cashier service has led to latent dysfunctions. Depending on from what perspective you look at the effects of the deregulation there might be different things that could be considered to be dysfunctions. The deregulation let the market regulate the payment market in Sweden. What did this lead to? According to the information in the thesis there are certain groups in the Swedish society that have been more affected in a dysfunctional way. These groups are most clearly elderly and handicapped people. However I do not count their problems to conduct payments as a latent dysfunction, instead I would say that it is a manifest dysfunction. The reason for this is that elderly and handicapped people were mentioned in the proposition (2006/07:55) about the states responsibility for certain payment services to get problems with the deregulation. The latent dysfunction that has occurred to me during the writing of this thesis is the vulnerability of the payment market. There are several private operators that control the market in one way or the other. What these operators decide is often affecting many people and companies.

When looking at the changes that the deregulation brought with it from the three perspectives of sociology of law, norm, opinion climate and materialistic, it is possible to understand the change in different ways. When using the norm perspective, Hydén (2002: 158) is describing it as having close connection with the laws. It is clear to see how the payment norms have changed and therefore the deregulation was needed. However that the banks would decide to not accept cash in the extent they do today cannot be seen as a result of the norms. Even though people more often pay with cards they still use cash as other options are not always possible.

The correlation between the decrease of cash in circulation and bank offices handling cash is clear from the data presented. If this development will continue it might lead to all bank offices being cash-free and even less cash will be in circulation in Sweden. The development could be seen as connected to how people choose to use cash, but this is also connected to the possibilities to use cash.

7.1 Future research

As the effects of the deregulation are an ongoing process it will continue to be an interesting subject for research many years ahead. This research has focused on the negative effects of a deregulation that ensured the possibility to use cash for over-the-counter services. As the laws are a reflection of the current situation in Sweden it would also be interesting to research what has led up to this situation and to find out why Sweden is the country where cash might disappear first in the world. While carrying out this research I have several times come across the explanation that it is important that the citizens trust the government in order to use less cash. That might be part of the explanation, but there will surely be more reasons behind this development. Another interesting research that would shed more light on why this development has happened in Sweden would be a comparison between different countries. By comparing how the laws are regulating the banks and payment system, it would be possible to see the differences between countries and possibly why this development is happening in Sweden. The different payment habits could also reflect if the payment norms and how they differ from different regions. In the introduction I made a comparison between Sweden and European countries using the Euro and Norway. This could be further elaborated to get an understanding if there are any differences in norms and laws.

It would also be interesting to look at the development on the payment market using a perspective that is based on Foucault. With more and more payments, as well as many other things, being done online. It is possible to trace payments and most of peoples actions, as everything from cars to TVs are connected to the internet. Using the theory developed by Foucault it could be possible to draw connections with surveillance and who is in charge of the power. Thinking about the development of the payment services in Sweden together with a perspective based on Foucault's ideas it is easy to draw connections to the now classical book 1984 written by George Orwell. A citation from the book that has spread around the world that is valid for both this thesis and for future research is:

“Big brother is watching you” or “Power is in tearing human minds to pieces and putting them together again in new shapes of your own choosing” – George Orwell 1984

The last citation also has a strong link to the concept of “soft” power, where attraction, is affecting people to change their behaviour. In the case of payments, it can be said to be attraction to pay digitally or with card rather than cash. If this can be connected to power or just the human progress is an interesting topic for future research.

It is also possible to put this research in a larger perspective. For example if it is possible to see a development towards a cash-free society in more parts of the world. As an example is the M-Pesa used in Kenya. This is a way of paying using your mobile phone for payments (The Economist, 2013). Seeing that more and more parts of our lives become digital it is not far-fetched to consider the whole world going towards a society with less cash. This thesis can be seen as a part of how the developed world might move towards a society with less cash in circulation. If there are differences between developed and underdeveloped countries in this issue is also something that would be interesting to investigate.

For future research this thesis can also be a contribution to other areas that is yet to become more digitalised. For example transportation when it comes to driving cars. Lately it has been discussions about self-driving cars and considerations to whether this is safe or not. These thoughts can be compared to thoughts about digitalised payments and if they are safe or not. Possible to say is that people are in a way giving away their control to companies that you need to trust with the information you give away. As not all people are digitally knowledgeable it might cause issues in different ways, for example of power and security in the future. Power of our data and how we get information as well as security as the digital steps are traceable. How much of our actions that will be stored and used for different purposes only the future can tell. I will end this thesis with the quote from John Locke that can be interpreted in different ways concerning the topic of the thesis.

“The end of law is not to abolish or restrain, but to preserve and enlarge freedom. For in all the states of created beings capable of law, where there is no law, there is no freedom.”

John Locke

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