

AN ANALYSIS OF THE STRUCTURE OF BANK LOANS AND DEPOSITS BY COUNTY IN ROMANIA

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***Abstract:** The structure of bank loans and deposits by county in Romania, in September 2016, shows a big difference between counties. This difference is made by the economic development of each county and by the accessibility of products and services offered by banks. A large volume of bank loans is significant located into four counties, well-developed economically. These counties are: București (Ilfov), Cluj, Constanța, Timiș. This analysis shows the correlation between the financial resources, economic development and demand or times deposits.*

***Key words:** bank loans, demand and time deposits, county, financial resources, banks.*

***JEL classification:** G21, G28*

INTRODUCTION

Commercial banks carry out an extensive activity of financial intermediation. They provide financing resources necessary for the operation of economic entities, as well as the fructification of their financial availabilities. Banks also offer to retail or corporate customers a wide range of banking products and services designed to ensure them financial prosperity. There is a close link between the business environment and banking entities, linked by their mutual conditioning. The mutual conditioning relations between the economy and banks are extremely complex and widely debated in the scientific literature.

This research aims to analyze, by counties, the evolution in structure of bank loans and deposits of commercial banks in Romania. It also aims to establish correlations between economic development and financial prosperity of the analyzed counties and the volume of bank loans and deposits managed by banks.

The analysis of the structure of bank loans and existing deposits in September 2016 in the portfolio of commercial banks was performed for non-banking and non-governmental customers from the selected counties. The eight counties were selected considering the volume of credits in Lei and foreign currency, granted by commercial banks from the respective counties. The largest share in total volume of loans in Lei and foreign currency granted by banks is held by counties: Ilfov (together with București Municipality), Cluj, Timiș and Constanța. The smallest share in total volume of loans in Lei and foreign currency granted by commercial banks is registered in counties: Giurgiu, Covasna, Mehedinți and Caraș-Severin. It is interesting that in these selected counties, the volume of demand and term deposits, in Lei and foreign currency, attracted by banks are following the same trend as loans, with some exceptions that highlight the trend towards capitalization or savings of customers from those counties.

In the literature review, the subject aimed at analyzing sources and investments of banking entities is widely debated. Influencing factors are highlighted, as well as mutual conditioning relations between banks and the economic environment. The financing need of economic entities requires banks greater flexibility in selecting collateral insuring constituted when granting loans.

MATERIALS AND METHODS

In the analysis of the structure by counties of bank loans and deposits registered by Romanian commercial banks, were used the indicators reported by the National Bank of Romania.

For this analysis were used as research methods: data collection, classification, systematization, comparison, analysis and synthesis, induction and deduction, generalization, scientific abstraction, as well as developing and testing hypotheses.

In this research were analyzed the structure, meaning and representativeness of reported banking indicators. It was established the selection criteria for the counties subject to the analysis, as well as the factors that influenced the volume of loans granted in Lei and foreign currency and deposits made. There were selected eight counties, of which four with the highest volume of bank loans in Lei and foreign currency (respectively counties: Ilfov with București, Cluj, Timiș and Constanța), and the other four counties with the lowest volume of bank loans in Lei and foreign currency (respectively counties: Giurgiu, Covasna, Mehedinți and Caraș-Severin). There were analyzed the indicators reported by the commercial banks in Romania in September 2016, indicators centralized for the entire Romanian banking system by the National Bank of Romania. The need for funding in those counties is correlated with the degree of their economic development. It can be observed that the volume of savings, respectively the value of demand and term deposits, in Lei and foreign currency, is correlated with financial prosperity and the degree of economic development of the selected counties.

RESULTS AND DISCUSSION

In the analysis by counties of granted bank loans and deposits it is important to observe their structure, namely:

- Loans in Lei and foreign currency;
- Current and outstanding loans;
- Loans granted to residents and non-residents;
- Demand and term deposits in Lei;
- Demand and term deposits in foreign currency.

From the data presented by the National Bank of Romania regarding loans in Lei and foreign currency, as well as demand and term deposits, in Lei and foreign currency, it is found that in September 2016 the largest share of loans was held by four counties, namely: Ilfov (including București), Cluj, Timiș and Constanța. These counties also have the largest share in total deposits on demand and on time in Lei, as well as the ones on demand and on time in foreign currency. The economic development and financial prosperity of these four major counties of Romania generated increased funding needs and brought significant lending and saving products in the portfolio of major commercial banks. To obtain financial performances, economic entities should develop strategies for medium and long term development. They also should know the positive and negative influences of legislative and economic decisions that can influence their activity.

The structure of bank loans and deposits in these four counties is presented in the following table:

Table no.1

The structure of loans and deposits of non-bank, non-government customers by county
- Million Lei-

September 2016	TOTAL	București (including ILFOV County)	CLUJ	CONS- TANȚA	TIMIȘ
Loans in lei	122069,1	42267,6	6321,0	5039,2	5116,0
• current loans	116272,0	40811,7	6117,3	4822,1	4860,8
• overdue loans	5797,1	1455,9	203,7	217,1	255,2
– residents	121899,2	42167,7	6315,5	5037,8	5108,8
– non-residents	169,9	99,9	5,5	1,4	7,2
Loans in foreign exchange	97705,3	46503,7	4986,7	3175,3	4451,5
• current loans	89917,2	43149,1	4615,1	2970,5	3927,0
• overdue loans	7788,1	3354,6	371,6	204,8	524,5
– residents	94947,4	43926,4	4958,3	3173,5	4433,0
– non-residents	2757,9	2577,3	28,4	1,8	18,5
Demand deposits in lei	75916,5	36167,1	3578,5	2376,2	2957,1
Time deposits in lei	101694,3	42700,8	5524,2	2955,9	2617,2
Demand deposits in foreign exchange	40260,0	20085,1	1982,9	1909,2	2148,2
Time deposits in foreign exchange	54653,6	27876,4	2866,8	2202,8	1891,0

Source: <http://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx>

After analyzing the table presented above it is noted that the capital city București, including Ilfov county, has a share of 34,6 % of total loans in Lei granted by Romanian commercial banks. The other three counties have smaller shares in total loans in Lei as follows: 5,2 % Cluj county, 4,2 % Timiș county and 4,1 % Constanța county. In September 2016, of total loans in Lei granted at country level, 95,3 % are current loans and 4,7 % are overdue loans. Of the four selected counties, only Timiș county exceeds the average share of total overdue loans at country level, registering a share of 5% compared to the average of 4,7 %. The other three counties register overdue loans below the national average.

As regards to demand and time deposits in Lei, the major share is held by București municipality (including Ilfov county), respectively 44,4 % of total deposits.

From the data presented above, results that there is an unequal distribution of funding resources that support economic development, including among the counties that are better developed economically and financially.

In this research conducted we also selected four counties with lower development potential, respectively those that hold the lowest share of loans in Lei and foreign currency granted by commercial banks.

The last four counties that hold the lowest share of loans granted in Lei by Romanian commercial banks are: Giurgiu, Covasna, Mehedinți and Caraș-Severin. The volume of loans in Lei and foreign currency, as well as the volume of deposits in Lei and foreign currency registered by these four counties are presented in the table below:

Table no. 2
The structure of loans and deposits by county

- Million Lei-

September 2016	TOTAL	GIURGIU	COVAS- NA	MEHE- DINȚI	CARAȘ- SEVERIN
Loans in lei	122069,1	576,9	612,1	690,7	715,2
• current loans	116272,0	498,2	582,2	596,8	677,1
• overdue loans	5797,1	78,7	29,9	93,9	38,1
– residents	121899,2	576,7	611,8	690,5	714,9
– non-residents	169,9	0,2	0,3	0,2	0,3
Loans in foreign exchange	97705,3	245,1	216,8	426,8	295,2
• current loans	89917,2	216,8	206,3	384,3	274,4
• overdue loans	7788,1	28,3	10,5	42,5	20,8
– residents	94947,4	245,0	216,5	424,9	294,0
– non-residents	2757,9	0,1	0,3	1,9	1,2
Demand deposits in lei	75916,5	256,3	424,5	274,3	291,7
Time deposits in lei	101694,3	334,1	575,6	482,9	396,6
Demand deposits in foreign exchange	40260,0	90,7	175,4	126,6	171,7
Time deposits in foreign exchange	54653,6	95,5	196,3	214,2	309,5

Source: <http://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx>

From the table presented above results that at the end of September 2016, the lowest volume of loans in Lei in total loans is registered in Giurgiu county, respectively 0,47 %. This county also registers a low share regarding loans in foreign currency, respectively a share of 0,25 % of total loans in foreign currency granted by commercial banks.

It is extremely important the fact that all four counties presented in Table no. 2 have a share of only 2,13% of total loans granted in Lei. All these counties combined have a smaller share, respectively half the share registered by Timiș or Cluj County. This great disparity in the distribution of funding resources from bank loans in Lei can create major difficulties for Romania's development.

In case of the counties Giurgiu, Covasna, Mehedinți and Caraș-Severin, it can be observed that demand and time deposits, both in Lei and in foreign currency, have a very low share in total deposits.

CONCLUSIONS

The research carried out targeted the analysis of bank loans and deposits, by structure and by counties, existent in banks at the end of September 2016. For the structural analysis, loans were detailed in Lei and in foreign currency, granted to residents and non-residents. By structure, deposits were outlined in demand and time deposits, in Lei and in foreign currency. There have been selected eight counties, four with the highest share and four with the smallest share in total bank loans and deposits.

From the analysis performed it appears that there is an unequal distribution of funding resources that support economic development, fact that causes greater economic and financial disparities between various counties of the country. The gap is constantly widening between rich and poor counties, which may lead, over time, to

serious social problems. Not ensuring the development potential and funding resources also for poor counties, can generate for Romania some major economic and social problems.

Commercial banks are profitable credit institutions and are reluctant to ensure social protection for customers with financial problems or with reduced economic potential.

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