

The Banking System in Romania

Vilijencova Nicoleta
"1st December 1918" University of Alba Iulia
vilijencovan94@gmail.com

Abstract

This paper presents aspects referring to the Romanian banking system, both through its structure and functions, as well as through the specific legislation, respectively of operations carried out by banking companies nationally. The Romanian banking system is consisted in the whole body of banks which activate in the economical framework in a certain period of time. The banks existent in each state have a very important role in the functionality of the economy of that state, both because they credit the entities which do not command the financial resources necessary for developing their activity and because they mediate the payments in economy and interact with other international banking bodies. The operations specific to the banking companies are provided in the national legislation in effect; they can range from attracting deposits, offering credits, financial leasing and services of money transfer to renting safety boxes.

Key words: banking system, banks, operations, credit

J.E.L. classification: M41

1. Introduction

A state banking system is represented by the whole body of banks which function in economy in a certain period of time. The banking domain is a very vast one, as a result in the specialty literature there are a series of articles which point out aspects concerning the banking system. Therefore, Marvin Goodfriend in his paper "The Role of a Regional Bank in a System of Central Banks" presents aspects concerning the importance of efficient communication between banks and their public. It also emphasizes that the competition between banks stimulates the innovative thinking concerning operations, researching and their policies. (Goodfriend, 2000, pp. 7-25)

Anișoara Niculina Apetri through the paper „Role and Importance of the banking System in Economy” points out that once with the evolution of society, a development of banks has been registered, from the bank of issue to the one of transfer, deposits, commercial and electronic banks. Bank evolution and banking system in general, has occurred before the economical development, banks being therefore considered the steam engine which trail off the entire economy (Apetri, 2007, pp.293-296). Another paper intituled "Improvement of Deposit Guarantee Schemes in Banking Systems" is Mirela Niculae's paper and treats aspects concerning the improvement of the bank's deposit guarantee system, improvement which will allow the reaching of the financial means from the clients toward the banking system, thus the banking system's stability and liquidity, respectively the improvement of research in economy will be maximised. (Niculae, 2013, pp.185-188).

2. Theoretical background

The Romanian banking system is consisted in The National Bank of Romania, as a central bank, and the banking companies which offer on the market a diversified range of operations such as banking operations in current accounts and deposits, operation made in the name of the clients through payment instruments, operations made by banks in the electronic payment system, operations of crediting and monitoring the credits, bank card operations, banking operations in foreign currency. (Socol, 2006, pp. 111-363)

The National Bank of Romania is the central bank institution governing the Romanian banking domain and it is managed by a Board of Directors. The Board of Directors is the organism having the decision right concerning the policies in the monetary domain and rate of exchange, authorising, regulating, and prudential surveillance of crediting institutions, monitoring the payment systems, internal organisation of the bank. The Board of Directors also decides which are the responsibilities of the executive structures and staff of the National Bank of Romania. (<http://bnr.ro/Conducerea-si-organizarea-BNR-705.aspx>).

Banks are juridical persons which undertake the form of joint – stock companies which develop operations for the non financial clients (physical and juridical persons) in their own name, or in the name of other banks (financial clients). In Romania at the end of 2017, 35 crediting institutions functioned, all aiming the provision of quality services to their clients. The 35 credit institutions were represented by two banks having integral or controlling interest capital owned by the Romanian state, four credit institutions with Romanian private controlling interest, 22 banks with foreign controlling interest and seven branch – banks of foreign banks. (<http://www.arb.ro/sistemul-bancar-din-romania/sistemul-bancar-din-romania/>). Services provided by the crediting institutions have registered a remarkable evolution in the last 27 years evolution consisted in the allotment of new services to the clients (the possibility of making the payments by POS) and improving the existent ones (diminishing or even the cancellation of certain commissions for the provided services). The clients play an important role in fulfilling the objectives aimed by each banking institution (profit increasing, increasing the market share, etc) as a result, the banking institutions follow the presentation of irresistible offers on the market, offers which are to maintain the existent clients and to attract new ones.

3. Methodology

Our research aims the presentation of the theoretical aspects concerning the Romanian banking system, the legislative framework specific to banking domain, as well as the operations specific to the banking companies.

As research methods and techniques, in our study we have appealed to the theoretical documentation, comparison and synthesis. The theoretical documentation consisted in the study of specialty literature. We have used comparison in the moment in which we presented the functions of the National Bank of Romania respectively the function of commercial banks. Synthesis was used in presenting the theoretical aspects because the banking system is a vast study field.

4. Romanian Banking System

The Romanian banking system is structured in two main platforms: The National Bank of Romania and the authorised crediting institutions. (Dascălu, 2005, p.13)

The National Bank of Romania is an independent public institution having the role of ensuring and maintaining the prices. Among the operations developed by this institution we can recall the following:

- Money market and foreign exchange operations,
- Establishing the mandatory minimal reserves that the crediting institutions must maintain in the account opened here,
- Develop the exchange policy of Romania,
- Currency issue,
- Operations with the crediting institutions,
- Operations of surveillance of the crediting institutions,
- Operations on state account,
- Operations with gold and external assets.

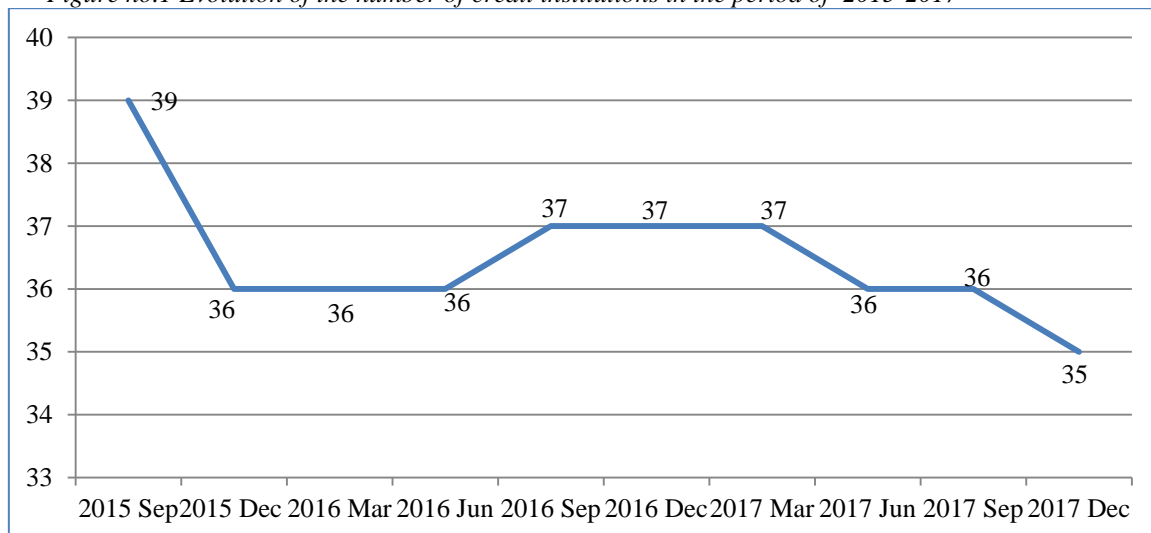
The commercial banks which develop their activity in Romania undertake the form of Romania's legal person bank and of representative units of the foreign bank companies. Bank companies are organised on two levels: the Central and the operative bank units which make the operative activity, directly interacting with the clients. The operations made by banks aim:

- Attracting deposits,

- Credit Contraction,
- Financial leasing,
- Services of money transfer,
- Emitting and managing the means of payment,
- Trading on the interbank market,
- Managing the clients' portfolios, etc.

Nationally, the number of crediting institutions has registered a decreasing trend in the period 2015 – 2017, from 39 crediting institutions in September 2015, reaching 35 crediting units according at the end of 2017, as explained in Figure no. 1.

Figure no.1 Evolution of the number of credit institutions in the period of 2015-2017



Source: National Bank of Romania

The total amount of credits granted by crediting institutions in the period between 2015 – 2017, was 670 103,2 million Ron according to table no. 1, whilst the value of the attracted deposits within the same reference period was 830 180,8 million Ron, situation which we will present within Table no. 2

Table no. 1. Situation of credits granted by crediting institution in the period between 2015-2017

Credit's Beneficiaries	-million Ron-					
	2015	Growth rate over the previous year (%)	2016	Growth rate over the previous year (%)	2017	Growth rate over the previous year (%)
Population's households	107 952,8	-	113 036,5	4,70	121 839,9	7,78
Non-financial corporations	104 832,5	-	101 641,7	-3,04	104 138,6	2,45
Non-monetary financial institutions, public administration and residents	4 613,9	-	5 422,4	17,52	6 624,9	22,17
Total	217 399,2	x	220 100,6	x	232 603,4	x

Source: National Bank of Romania

Analysing the data presented in the table we can ascertain that for the year of 2016 the amount of the offered credits has registered an increase of 2 701,4 million Ron (1,24%), while for the year of 2017 the growth was of 12 502,8 million Ron, representing a growth of 5,68 percents.

Table no. 2. Situation of the attracted deposits in the period 2015 - 2017

Entity from which the deposit is attracted	2015	Growth rate over the previous year (%)	2016	Growth rate over the previous year (%)	2017	Growth rate over the previous year (%)
Population's households	146 780,3	-	163 462,0	11,36	178 659,9	9,29
Non - financial corporations	91 433,4	-	95 174,9	4,09	106 126,2	11,50
Non-monetary financial institutions	15 203,9	-	15 629,7	2,80	17 710,5	13,31
Total	253 417,6	x	274 266,6	x	302 496,6	x

Source: National Bank of Romania

The Amount of the attracted deposits in the year of 2016 has increased with 20 849 million Ron (8,22%), while for the year of 2017 the registered growth was of 28 230 million representing an rate of 10,29%.

5. Functions of the Banking System

Romanian banking system presents a series of functions specific to its two components. Therefore, the National Bank of Romania, in its quality of central bank, fulfils the following functions (Dascălu, 2005, p.15):

- Function of monetary issue,
- Crediting function,
- Function of currency centre,
- Function of "the bank of the banks"
- Function of "the bank of the state"

Commercial banks, apart from their role of ensuring the banking brokerage, fulfil a series of functions, among which we can recall the next (Iuga, 2009, p.12):

- Function of mediating the credit in economy,
- Function of mediating the payments in economy,
- Function concerning the collaboration with other international banking bodies.

6. Legislative Framework Specific to the Romanian Banking Field

The legislative framework specific to banking field is a very complex one, including a series of laws and regulations which are meant to ensure a good functioning of the activity of crediting institutions, among which we can recall (<http://bnr.ro/Legislatie-financiar-bancara-735.aspx>):

- Government Emergency Ordinance no.99 from the 6th of December 2006 concerning the crediting institutions and capital's adequacy,
- Law no. 227/2007 for approving the Government Emergency Ordinance no.99/2006 concerning certain measurements for sustaining the development programs of construction buildings at national level,
- Emergency Ordinance no.25 from the 28th of March for modifying and completing the Government Emergency Ordinance no.99/2006 concerning the crediting institutions and capital adequacy (Official Monitory, First Part no.179 from the 23rd of March 2009),
- Law no. 207 concerning the approval of Government Emergency Ordinance no. 25/2009 for modifying and completing the Government Emergency Ordinance no. 99/2006 concerning the crediting institutions and capital adequacy,
- Ordinance no. 13/2011, concerning the legal and punitive interest rate for money obligations, as well as for regularising of some fiscal – financial measures in the banking system,

- Ordinance no.1/2012 for modifying and completing some normative acts in the field of crediting institutions,
- Emergency Ordinance no. 113/2013 concerning some budgetary measurements for modifying and completing the Government Emergency Ordinance no. 99/2006 concerning the crediting institutions and capital adequacy,
- Implementation norms,
- Law no. 85/2014 concerning the procedures of preventing the insolvency and of insolvency,
- Law no. 83/1997 for privatisation of commercial companies to which the state is a shareholder, with its subsequent modifications

7. Operations Conducted by Banking Companies

In order to fulfil the established objectives, the banking companies conduct a series of operations such as (Socol, 2006, pp.111-363):

- a) Banking operations in current accounts and clients' deposits:
 - Banking operations in the clients' deposits regards the opening of current accounts, supplying the account with funds and diminishing the funds from the account,
 - The operations of making bank deposits target the clients who are physic persons or legal persons. For the banks, the deposits are a main source of attracting funds
- b) Banking operations made in the name of clients through payment instruments
 - Banking operations with orders. Orders are instructions given by an issuer to a receiving banking company for making available an amount of money to a beneficiary, amount which is specified in the order, either by crediting an account of his, or by cashing the amount of money
 - Banking operations with checks. The check is a payment instrument used by the holders of bank accounts with corresponding spare in these accounts
 - Banking operations with Bills of Exchange and Promissory Notes. Bill of Exchange is a credit title, under private signature, which connects three people in its creations process: drawer, drawee and the beneficiary. Promissory note is created by the emitter having the quality of debtor who obliges to pay a settled amount of money at a certain date or at the presentation of another person named by the beneficiary, who has the quality of creditor.
- c) Banking operations of allotting and monitoring the credits. The operative banking units may allot credits to individual customers or to juridical persons when these do not dispose of financial resources necessary to covering the expenses occasioned by purchasing certain goods / services or by developing their activity. The bank staff who serve the clients in the crediting activity, develop an assembly of activities meant to characterise the situation of the clients and to establish potential risks to which the banking company exposes in the hypothesis of allotting the credit. After granting the credit the banking companies follow the fulfilment of the conditions from the credit contract, as well as the payment of rates at terms and of afferent interests, the situation of the guarantees and the destination of the credit.
- d) Banking operations with cards. The most part of the people who obtain incomes from salaries use cards on which the salaries are transferred. The cards are emitted by banking companies authorised by the National Bank of Romania for this purpose.
- e) Banking operations in foreign currency. These operations refer to cashing, payments, compensations, transfers, crediting, as well as any transactions expressed in currency and which can be effected through banking transfer, in cash, with payment instruments or by any payment modalities practised by banking companies, according to the respective operations

8. Conclusions

The Romanian banking system is constituted from the National Bank of Romania, as central bank and from banking companies which activate nationally. Banks are legal persons which follow the provision of quality services to the clients. In our opinion the clients play an important role in fulfilling the objectives established by each banking institution (increase of profit, increase of market share etc), as a result the banking institutions intend to present some irresistible offers on the market, offers which are to keep the old clients and to attract new ones.

The banking system fulfils a series of functions among which we can recall the function of monetary issue specific to the National Bank of Romania, the function of mobilizing the monetary assets in the economy, crediting function etc.

The activity of the crediting institutions is made in accordance with the national legislation in effect, legislation which is very complex and which includes a series of laws and ordinances meant to ensure the effectiveness of the activities of these institutions. The operations developed by the banking companies are diverse and include banking operations in current accounts in deposits, operations made in the name of the clients through payment instruments, operations of allotment and monitoring the credits, banking operations with cards, banking operations in foreign currency.

In our opinion, the Romanian banking system is a pillar for national economy, because it meets the needs of entities and population with a diversified range of credits, which intends to complete the financial resources necessary for developing in optimal conditions their activity, respectively making investments and intensifying the consumption.

9. Acknowledgement

This research is sustained through performance scholarship given by the „1st December 1918” University of Alba Iulia.

10. References

- Apetri A. N., 2007. Role And Importance Of The Banking System In Economy, *Theoretical and Applied Economics*, General Association of Economics in Romania – GAER, vol.6
- Dascălu C., Botea M., 2005. *Accounting and Banking Technique*, , Bucharest: InfoMega Publishing House.
- Goodfriend M., 2000. The Role of a Regional Bank in a System of Central Bank, *Economic Quarterly*, Federal Reserve Bank of Richmond.
- Iuga I., 2009. *Banks and Banking Operations*, Department for Distance Learning and Continuous Vocational Training , Alba Iulia.
- Niculae M., 2013. *Improvement of Deposit Guarantee Schemes in Banking System*, Knowledge Horizons – Economics, Faculty of Finance, Banking and Accountancy Bucharest, "Dimitrie Cantemir" Christian University Bucharest, vol. 5.
- Socol, A., 2006. *Banking Techniques*, Cluj Napoca: House of Science Book.
- <http://bnr.ro/Conducerea-si-organizarea-BNR-705.aspx>
- <http://bnr.ro/Legislatie-financiar-bancara-735.aspx>
- <http://www.arb.ro/sistemul-bancar-din-romania/sistemul-bancar-din-romania/>