

## CUSTOMER RELATIONS IN ROMANIAN COMMERCIAL BANKS

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**Abstract:** *This research aims to analyze the dimensions of the bank-customer relationship, as well as the customer information that commercial banks store. In customer relations, credit risk information about the number of borrowers (individuals and legal entities), especially with overdue amounts, is particularly important. In this research, dynamics the number of individuals incurring debts overdue more than 30 day. Customer information enables orientation of the portfolio structure of banking products and services, intended for both retail and corporate customers. The technological progress registered in the fields of informatics and communications has generated profound transformations in the bank-client relationship. In today's banking world, the impact of globalization is manifested both in customer relations and in the ethics of banking business.*

**Key words:** *commercial banks, customer relations, information, globalization, priorities*

### INTRODUCTION

The banks of the 21st century conduct complex and diversified banking activity in a global economic environment. This activity required banks to approach a new strategy in their relations with their customers. The most important capital of a bank is credibility. This depends to a significant extent on the performance of banking management, as well as the portfolio of banking products and services managed by the bank [1].

Technological progress in computer science and communications has generated profound transformations in the bank-customer relationship. They also influenced the behavior of consumers of financial and banking products.

The principles underlying the partnership between banks and customers are as follows:

- mutual trust;
- mutual benefits;
- effective collaboration and communication;
- confidentiality;
- compliance with the ethical (moral) principles specific to banking business with customers.

In banking practice, the complexity of these principles underlying the bank-customer partnership is intertwined with the social responsibility of banks, as large financial intermediation corporations in the economy [2].

A particular importance in banking activity is the adaptation of the portfolio of banking products and services according to the policy and strategy of the bank and the customer segment to which the bank addresses itself. Within the banking sector, services and products are similar in their effect, so the bank must create and maintain a competitive advantage [5].

This research aims to analyze the dimension of the bank-customer relationship, the principles underlying this partnership, as well as the general business conditions governing the relations between banks and their clients. Credit risk information, structure, and dynamics, generated by individuals and legal customers are also analyzed. This information allows Romanian commercial banks to orientate of the structure of banking products and services portfolio, intended for both retail and corporate customers. The analysis of credit risk information ensures that banks manage their loan portfolio efficiently, as well as the specific risks [13].

## MATERIALS AND METHODS

In this paper, the new dimensions of the bank-customer relationship were identified, highlighted also by the new relationship strategy with clients. The principles underlying the bank-customer partnership were also defined.

Customer information, which commercial banks request and manage, has been inventoried. They allow the orientation and modernization of the structure of the portfolio of banking products and services, aimed at both retail and corporate customers. The modern concepts underlying the new philosophy of the relationship between banks and customers have been delimited.

For the analysis, in structure and dynamics, of the evolution of banking indicators, targeting the number of clients with debts toward banks, the interactive statistics on the National Bank of Romania website were used. In this research, banking risk indicators were identified and selected, presenting and analyzing only the most relevant and significant ones for the proposed analysis. The evolution trend of these banking indicators was also highlighted.

The General Business Conditions, which regulate the relations between the bank and each of its customers, were selected from the information presented on the websites of commercial banks.

The scientific research methods used in this analysis were: identification and collection of data, selection of statistical indicators, systematization, classification according to the identified criteria, comparison, definition of concepts, analysis and synthesis, induction and deduction, generalization, scientific abstraction, professional reasoning, and the development and testing of hypotheses.

The personalization of customer relationships, the change in the nature, complexity, and dynamics of these relationships, were analyzed in the context of the globalization of the world economy.

## RESEARCH RESULTS

Contemporary globalization defines a new era in human evolution. It can be conceived as an acceleration of global interconnection in all aspects of economic and social life, but especially in the financial and banking sphere.

The globalization of the global economy determines essential changes in the organization, dimensions, and priorities of bank management, especially in their relations with customers. These changes impose a series of social responsibilities and ethical obligations for banks, responsibilities that subscribe to moral values and social ideals.

The changes in nature, complexity, and dynamics of business in recent decades, in the context of globalization, have led to an increase in banks' interest in business ethics, in their relations with their customers. The phenomenon of globalization, manifested through the integration of markets on a planetary scale and the rapid movement of capital from one part of the globe to another, imposes new ethical dimensions on today's business environment [15].

The importance of the ethical dimension of customer relations management in commercial banks is also emphasized by the fact that the administration of the global economy requires strengthening the credibility of financial and banking systems, creating a new financial architecture (based on confidence in the market, in banking systems), and establishing control over international financial and monetary affairs.

The dimensions of the bank-customer relationship are also highlighted by the new relational strategy with customers, which targets the following aspects [6]:

- the approach effective communication, active cooperation, and creativity in the bank-client relationship;

- personalizing customer relationships and strengthening their confidence in the bank through which they conduct their business;
- approaching a new philosophy of the bank-customer relationship, based on modern concepts and principles aiming at:
  - business partnership;
  - collaboration and loyalty;
  - managing the portfolio of opportunities;
  - implementation of team spirit.
- developing an organizational culture that supports a relational strategy with customers, appropriate to their specific needs;
- knowledge and understanding of the client's financial and commercial activity, which would allow the bank to offer viable solutions, highly professional advice, and consultancy to its customers;
- planning the bank-customers relationship. The customer relationship development plan can be detailed annually by the banks, covering:
  - list of new customers to be addressed;
  - visiting schedule;
  - negotiation tactics;
  - inventory of customer needs;
  - list of transactions in progress;
  - estimated profitability, and others.

The importance and dimensions of the bank-customer relationship are addressed not only in the specialized banking literature, but also in the practice of large commercial banks. In banking practice, the planning of bank-client relations is conducted in the "corporate banking" activity, being under the responsibility and control of the bank's relationship manager.

Customer orientation of any banking entity implies:

- ❖ knowing and satisfying the financial needs of customers;
- ❖ the bank's possession of a flexible organizational and functional structure, continuously adapted to the needs of the customers;
- ❖ personalization of customer relationships;
- ❖ adapting the offer of banking products and services to the specifics and peculiarities of the clientele;
- ❖ identification and delimitation of new market segments, made up of individuals or legal entities and their needs, and others.

In bank-customer relations, another important aspect for the bank is the knowledge and inventory of customer information.

In general, the customer information that banks register refer to the following aspects [14]:

- the customer's legal status (individuals or legal entities). If the client is a legal entity, the bank is interested in the legal framework in which it operates (it exists) and its object of activity (provided in the company statute or contract of the legal entity);
- the organizational structure, the structure of the shareholders, or the owners of the company and its executive management;
- the branch of activity to which the customer belongs (industry, trade, construction, transport, agriculture) and the performances registered within the respective branch;
- the persons who employ the company's assets, their quality, contact persons and telephone numbers at which they can be contacted by the bank;
- financial performance and business performance recorded by the customers;

- the customer's management strategy;
- the main clients and suppliers, as well as competing companies;
- the competition in which the customer operates and the performance of the competition;
- the customer's relations with other banks, targeting his attitude and behavior as a debtor;
- other information about the customer, obtained by the bank from various sources (from the press and media, from the competition, from business partners, and others).

Knowing and processing this customer information helps the bank to design a relational strategy with the client and establish a competitive position of the bank [10]. Customer information enables the structure of the portfolio of banking products and services, aimed at both retail and corporate clients, to be oriented toward the needs and demands of this increasingly sophisticated clientele. The processing of information managed by banking entities leads to the development of the level of banking culture and civilization [7].

The personal data that the bank processes consist of those provided by the customer during the interaction with the bank.

The National Bank of Romania, in its capacity as regulatory and supervisory authority, provides a series of interactive statistical data, communicated by commercial banks. They concern credit risk information, which refers to amounts due (overall risk) and the number of debtors, customers, individuals, and legal entities.

The dynamic evolution, during the years 2020-2022, of the amounts due and the number of customers with debts to commercial banks, is presented in the following table:

**Table 1.**  
**The evolution of amounts due and number of customers with debts**

Indicators	2020	2021	2022
Total due amounts - overall risk (Lei mil.)	376,458	430,592	489,822
Total overdue amounts (Lei mil.)	17,346	16,373	15,461
Number of borrowers (individuals and legal entities)	1,461,343	1,567,017	1,630,259
Number of borrowers (individuals and legal entities) with overdue amounts	159,644	171,806	196,683

Source: National Bank of Romania, Monthly Bulletin - February 2023, Statistical Section, p. 61 [9].

The data in the table above refer to the exposure to a single debtor, exposure equal to or greater than 20.000 Lei.

In the analyzed period, the total outstanding amounts from loans due by customers decreased from 17,346 million Lei in 2020, to 15,461 million Lei, in 2022. This decrease is registered as the number of outstanding debtors (individuals and legal entities) increases significantly, from about 160 thousand persons in 2020, to 197 thousand persons in 2022. From the information presented above, a decrease in the indebtedness of customers with outstanding debts from bank loans can be observed.

**Table 2.**  
**Overdue payments of more than 30 days recorded by individuals**

Indicators	2021	2022	February 2023
Number of individuals incurring debts overdue more than 30 days	480,759	475,402	476,229
Number of past-due debts	695,428	701,648	711,700
Total past-due debts (Lei million)	6,094.5	6,142.9	6,156.7

Source: National Bank of Romania, Monthly Bulletin - December 2022, Statistical Section, p. 61 [8].

National Bank of Romania, Monthly Bulletin - February 2023, Statistical Section, p. 65 [9].

Overdue payments of more than 30 days recorded by individual customers, between 2021 and February 2023, are presented in Table 2, below:

It follows from the table above that in the analyzed period, the number of individual customers with overdue debts of more than 30 days decreased from 480,759 in 2021, to 476,229 in February 2023. Over the same period, there is an increase in the number of past-due debts, from 695,428 to 711,700.

This information that both the National Bank of Romania and the commercial banks within the Romanian banking system provide about the clientele, highlight the evolution of bank risk indicators. They also allow the development of risk management strategies from the activity with the clientele [3].

The Romanian commercial banks establish General Business Conditions, which regulate the relations between the bank and each of its customers [11]. The General Business Conditions are mandatory, both for customers and for the bank. They have contract value, being valid from the moment the customer has signed the acknowledgment.

The General Business Conditions form the general framework in the bank-customer relationship and apply to any type of contract. It is supplemented, as appropriate, with the specific provisions of each type of banking product or service. The Bank has the right to amend periodically, in whole or in part, the General Business Conditions, if the technical, economic, or legal circumstances require it.

The General Business Conditions refer to [12]:

- Regulation of relations between the bank and the customer;
- Scope of applicability of the general business conditions;
- Express and specific provisions of each type of banking product or service;
- Opening accounts and identifying their holders;
- Changes in customer identification data;
- Conditions for the execution of banking operations and the selection of settlement instruments;
- Obligations and responsibilities of the bank, as well as its customers;
- Establishing interest rates and conditions for updating benchmarks;
- Order in which the debits are collected;
- Privacy conditions and processing of personal data;
- Applicable law and the resolution of conflicts and disputes;
- Duration and termination of the contractual relationship between the customer and the bank.

The customer is obliged to inform the bank, in writing and within 30 working days of any change in his situation, of his own identification data or those of his authorized representatives. On the date of conducting the operations, all these changes must be recorded in the bank's database. Otherwise, the customer will bear all the consequences arising from the bank's lack of knowledge regarding these changes. In this situation, the bank is not responsible for the operations performed, which harm the account holder.

## CONCLUSIONS

The dimensions of the bank-customer relationship outline a new relational strategy with clients, a strategy that has been imposed in the management of 21st century banks. The main purpose of this is to maintain the bank's credibility towards customers and the financial community, as well as to increase the bank's prestige and performance [4].

Banks operate in a global economic environment, an environment that imposes on them the ethical responsibility of their business. Ethical responsibilities enforce banks to act justly, correctly, and equitably, even if they have no legal obligations in this regard. The moral dimension of a bank's responsibility is given by the fact that it has not only an

internal decision-making structure, but also an organizational culture, respectively a set of values that define what is considered to be correct or incorrect in its framework.

Commercial banks must constantly aim to strengthen a profitable long-term relationship with their customers. Long-term loyal customers are the ones who will ensure the bank's income. Customer loyalty improves the image of a bank and can be an excellent source of advertising.

Commercial banks in Romania have established a new relational strategy with customers and have defined the principles underlying the bank-customer partnership.

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