

STUDY REGARDING CREDIT GRANTING TO NONGOVERNMENTAL CLIENTS FROM THE WEST REGION BY THE BANKING SYSTEM

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Abstract. This paper analyzes the bank credit which plays a major role in financing the Romanian market economy. It is demonstrated by scientific research that the lending process represents the main source of funding for a country's economy, the types of credit varying and adapting to market requirements. The methods used by the authors consisted in data collection, documentary analysis, synthesis, graphic representation. Accessing a credit must be advantageous to both parties, both for the bank, by expanding and diversifying the credit portfolio so as to obtain extra profit, and for the client, who can grow their business through the credit they are accessing, earn profit and can thus repay debts to the bank.

Keywords: credits, bank system, payment, bank

INTRODUCTION

In the market economy, the banking system attracts and concentrates the savings of the society and channels them towards the most efficient investments. By collecting financial resources and placing them on the market through loans, discount operations and other financial market operations, banks act as intermediaries between those who hold capital and their users [6].

The activity of the banking system influences the entire contemporary economic life. There is practically no area of economic and social life that is not tangential to banking activity.

The motivation for choosing this theme was determined by the evolution of the banking system in the world and in Romania on the one hand, as well as the development of credit products and conditions on the other hand.

The objective of this scientific paper is to analyze the evolution of non-governmental credit granted by the Romanian banking system in the West Region.

First of all, some concepts, and the links established between them, must be clarified.

Among the definitions of the credit concept, the relevance is that given by Gh. Bistriceanu: "Credit is an exchange that begins now and ends in the future." In other words, credit is a "money relationship that occurs in connection with the granting of loans to legal or physical persons, which will be reimbursed at maturity" [1].

Things are no longer so simple when we talk about giving credit even though today's reality does not contradict us. Trust in the banking system is the psychological element that accelerates the granting of credit, which does not mean that the work done by banks is not risky. Trust makes the credit granting mechanism to go on by making commitments.

Loan represents the combination of three elements: time, trust and promise of repayment of borrowed funds [9, 11].

The definition and the concepts of credit are treated differently in the national and international literature:

According to V. Slavescu, the credit and the credit operation is the economic fact that gives off a sum of money, made at a given moment by an economic subject, for the

use of another economic subject, with the obligation to return later, at a fixed term, the amount received plus a sum of money called interest [8].

Credit is defined as an expression of exchange relationships on the basis of which certain goods and services or even liquidity are obtained by committing a future payment [7].

Frenchman Charles Gide defines credit as the exchange of present wealth against future wealth [5].

Professor F. Leitner defines credit as "giving and receiving a good at a time in the belief that the same good or other of the same value will be returned at a future date, according to the understanding between the parties."

German economist *F. Wagner* defines the credit "... as an act of private-economic exchange, through which a subject gives to another subject economic values such as: material goods or currency, with the right to claim on them."

According to contemporary economic theories, *credit* represents the money relationship between a natural or legal person, called a creditor, who gives a person called a debtor a money loan or sells goods or services on debt, generally at a fixed interest rate, depending on the risk which the creditor assumes or on the reputation of the debtor [2, 3, 4].

Non-governmental (bank) loans constitute the important asset portfolio for a commercial bank and the main form of resource use, being granted to individuals and agents from the economy [6, 12].

The credit in lei represents: consumer loans for the population and term credits financing the current capital for companies [10, 12].

Foreign currency credit represents: mortgage credit, consumer loans secured by mortgages, investment loans [10].

MATERIALS AND METHODS

The research methodology is based on a rich bibliography and consisted of specialized literature, including specialized books and papers, articles and reports in the banking field, annual reports, other publications and statistical data provided by the National Bank of Romania. Also, the data collected from the various bibliographic sources were analyzed, synthesized, graphically represented, and conclusions were formulated, in order to provide an overview of the most important credit developments of non-governmental clients from the West Region.

RESEARCH RESULTS

By granting credits, the benefits must be on both sides, both for the bank, by gaining additional profit, and for the clients, by developing the business, making a profit, so that they can repay the loan and pay interest.

The evolution of loans to non-governmental clients from the West Region is presented in Tables 1 and 2. From the analysis of the data shows:

- loans in lei increased with 4931 million lei from 6,839.40 million lei in 2014 to 11,770.4 million lei in 2017;

- by counties, we notice that the highest value of credits was registered in Timiș County (increase from 3,487.10 million lei in 2014 to 6,993.40 million lei in 2017) followed by Arad County (increase from 1392, 2 million lei in 2014 to 2400 million lei in 2017);

- in Caraș-Severin County, the amount of credits granted was the lowest compared to the other counties, of only 613.8 million lei in 2014 and 796.7 million in 2017;

Rising credits in lei are due to lower interest rates, lower advances and non-existent foreign currency risk. Also, offers for such loans are more numerous, given that several large banks have renounced foreign currency mortgages.

Table 1.
The evolution of non-government credit in lei from the West Region
- lei million-

Years	Arad	Timiș	Hunedoara	Caraș-Severin	West Region	Romania
2014	1392.2	3487.1	1346.3	613.8	6839.4	92136.6
2015	1702.7	4329.9	1372.5	673.3	8078.4	110246.1
2016	1994.8	5275.9	1502.8	741.3	9514.8	126200.1
2017	2400.0	6993.4	1580.3	796.7	11770.4	146238.9

Source: Authors' table based on the data from <http://www.bnr.ro> [13]

Foreign currency loans have become more costly than those in lei, because the motivation for which customers choose these loans has disappeared.

These credits were becoming risky, being exposed to currency risk as well. In recent years, there have been significant increases or decreases in the exchange rate, which have either lowered the credit or made it very expensive.

In the category of foreign currency loans (Table 2), there is a decreasing trend in the period 2014-2017 in all counties of the West Region.

Foreign currency loans granted to customers from West Region fell by more than 32%, or 2765.9 million lei (from 8,588.6 million lei in 2014 to 5822.7 million lei in 2017).

Table 2.
The evolution of non-government credit in foreign currency in West Region
- lei million-

Years	Arad	Timiș	Hunedoara	Caraș-Severin	West Region	Romania
2014	1611.00	5663.20	875.2	438.3	8588.60	121166.20
2015	1567.90	4996.50	699.6	357.3	7621.30	109829.90
2016	1422.60	4470.90	546.3	288.1	6727.90	96747.50
2017	1331.80	3763.90	487.1	239.9	5822.70	89059.50

Source: Authors' table based on the data from <http://www.bnr.ro> [13]

The highest decrease in the value of credits in foreign currency granted to clients was in the Hunedoara and Caraș-Severin counties, over 45% (from 875.2 million lei to 487.1 million lei in Hunedoara County and from 438.3 million lei to 239.9 million lei in Caraș-Severin County), followed by Timiș County, over 33%, from 5663.20 million lei to 3763.9 million lei.

This decrease was recorded because Romanians prefer lending in lei. Loans in lei have become more attractive until 2017, with interest rates falling close to the cost of foreign loans.

Regarding outstanding loans in lei (Table 3), the worst-payers were from Hunedoara County, which in 2017 had outstanding debts representing 3.21% from the total loans granted in the County, followed by Timiș County with 2.97% and Caraș-Severin with 2.78%. On the opposite side, the most serious were the clients of the banks from

Arad, which had remaining representing only 1.72% from the total loans granted in the County.

Table 3.
The evolution of current and remaining loans in lei
- lei million -

The types of credit	Year	2014	2015	2016	2017
Arad					
current loans		1244.1	1557.4	1931.0	2359.2
overdue loans		148.1	145.3	63.7	40.8
Timiș					
current loans		3055.3	3989.5	5051.2	6500.3
overdue loans		431.8	340.3	224.6	193.1
Hunedoara					
current loans		1208.1	1257.8	1434.3	1531.1
overdue loans		138.2	114.7	68.6	49.2
Caraș Severin					
current loans		542.6	611.1	703.2	775.1
overdue loans		71.2	62.2	38.1	21.6

Source: Authors' table based on the data from <http://www.bnr.ro> [13]

For remaining loans in foreign currency (Table 3) the situation is about the same, the worst-paying ones being those from Hunedoara County who in 2017 had remaining representing 7.36% from the total loans granted in the County, followed by Caraș- Severin with 6.38% and Timiș with 2.45%. The most serious were the clients of the banks from Arad, which had remaining representing only 1.49% from the credits granted in the County.

Table 4.
The evolution of current and remaining loans in foreign currency
-lei million-

The types of credit	Year	2014	2015	2016	2017
Arad					
current loans		1405.2	1383.3	1338.5	1312.1
overdue loans		206.7	184.6	84.1	19.7
Timiș					
current loans		4678.7	4282.6	3925.2	3673.9
overdue loans		984.6	713.9	545.7	90.0
Hunedoara					
current loans		769.3	598.3	500.4	453.6
overdue loans		105.3	101.3	45.9	33.4
Caraș Severin					
current loans		388.6	313.8	271.0	225.5
overdue loans		49.7	43.5	17.1	14.4

Source: Authors' table based on the data from <http://www.bnr.ro> [13]

The evolution of the main components of the non-governmental credit in the period 2014-2017, presents significant aspects and is presented in the following.

From the analysis of credits in lei by destination (Figures 1, 2, 3, and 4) result:

- loans in lei granted to non-financial corporations recorded the highest growth in the Timiș County of approximately 465 million lei (from 1881.2 million lei in 2014 to 2345.9 million lei in 2017), followed by Arad County, where they grew by approximately

256 million lei (from 647.4 million lei in 2014 to 903.7 million lei in 2017); the lowest increase was in Caraș-Severin County of only 1.7 million lei;

- loans in lei granted to households registered the highest increase in Timis County (figure 2) by 63% in 2017 compared to 2014 (from 1604.2 million lei in 2014 to 4341.2 million lei in the year 2017, and the lowest increase of only 27% in Hunedoara County.

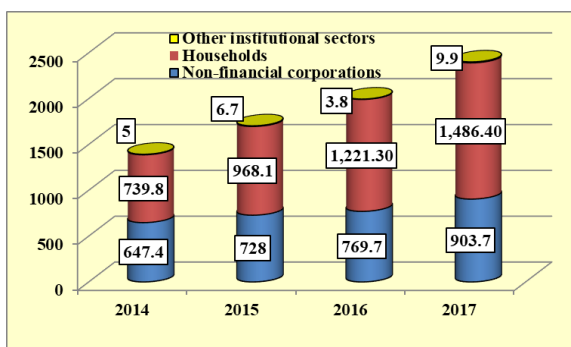


Figure 1. The evolution of credits in lei granted by destination in Arad County (million lei)

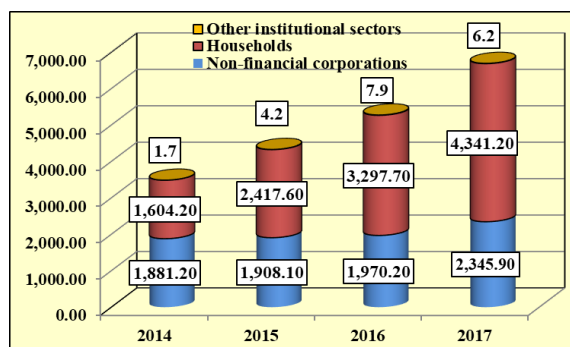


Figure 2. The evolution of credits granted in lei by destination in Timiș County (million lei)

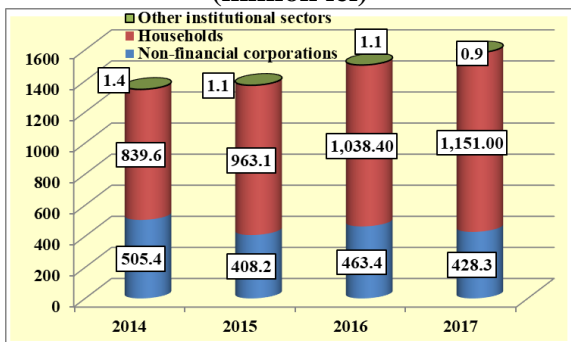


Figure 3. The evolution of credits granted in lei by destination in Hunedoara County (million lei)

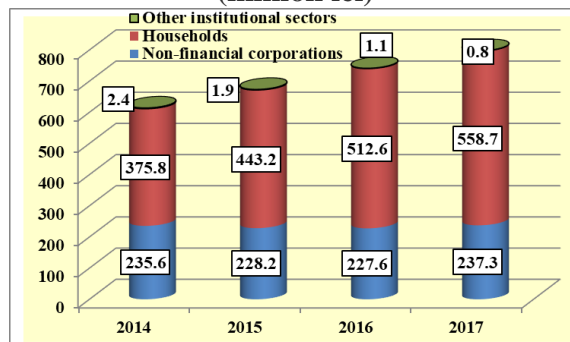


Figure 4. The evolution of credits granted in lei by destination in Caraș-Severin County (million lei)

As can be seen from Figures 5, 6, 7 and 8, foreign currency loans recorded the following trends:

- loans in foreign currency granted to non-financial corporations decreased with over 50% in Hunedoara County in 2017;

- loans in foreign currency granted to households has registered a decreasing trend during 2014-2017, in all counties of the West Region, over 30% in Arad and Timiș counties and over 40% in Hunedoara and Caraș-Severin counties.

Since capital inflows into the economy are becoming smaller, as well as the fact that investors prefer to use less expensive financing means (reinvestment of profits, reinvestment of other sources, share issue, etc.) in the near future, loan development for investments in Romania will not be spectacular.

In Table 5 are presented the main evolutions of loans in lei granted to households in the West Region as follows:

- in Arad County, loans for households grew with over 77% in 2017 compared to 2014;

- Timiș County is a champion at loans granted for households, registering an increase of over 81% in 2017 compared to 2014;

- the situation in the counties of Hunedoara and Caraș Severin is similar, the increases being 68%, respectively 71%.

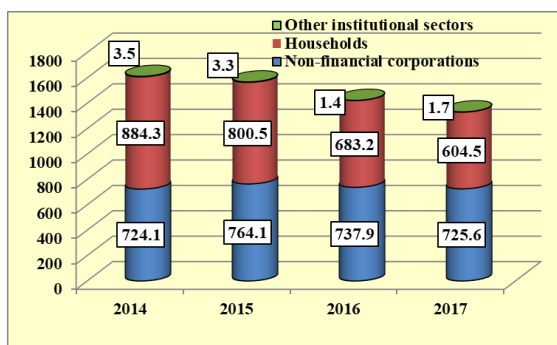


Figure 5. The evolution of foreign currency loans granted by destination in Arad County (million lei)

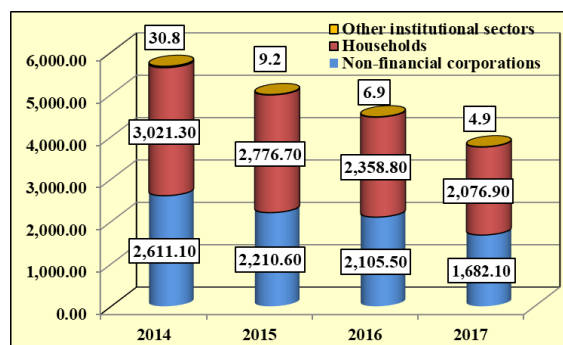


Figure 6. The evolution of loans granted in foreign currency by destination in Timiș county (million lei)

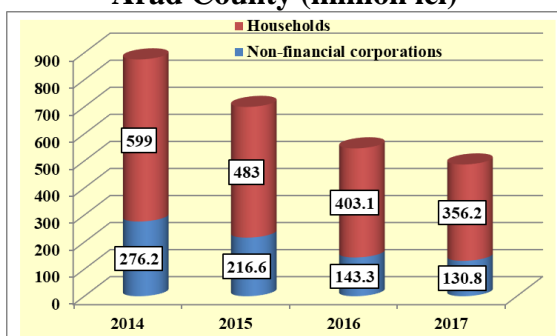


Figure 7. The evolution of credits granted in foreign currency by destination in Hunedoara County (million lei)

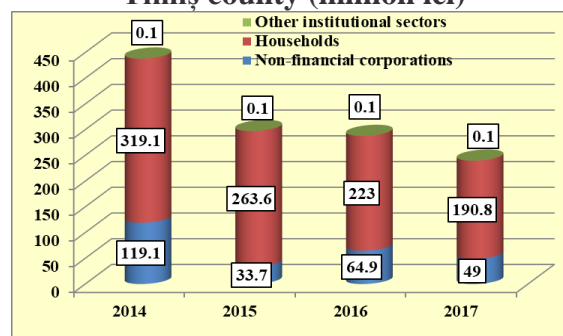


Figure 8. The evolution of credits granted in foreign currency by destination in Caraș-Severin County (million lei)

Table 5.

The evolution of loans granted to population households in lei (lei million)

	2014	2015	2016	2017
Arad				
Households, of which:	739.8	968.1	1221.3	1486.4
– consumer loans	559.7	640.3	735.4	835.1
– housing loans	142.2	287.0	448.1	616.6
– loans for other purposes	21.5	19.1	10.7	7.9
Timiș				
Households, of which:	1604.2	2417.6	3297.7	4341.2
– consumer loans	1011.7	1208.4	1466.2	1721.8
– housing loans	475.3	1084.6	1738.5	2521.0
– loans for other purposes	52.9	49.3	33.0	21.7
Hunedoara				
Households, of which:	839.6	963.1	1038.4	1151.0
– consumer loans	709.8	763.1	784.4	832.5
– housing loans	93.6	164.9	231.2	299.6
– loans for other purposes	27.3	24.8	7.5	7.1
Caraș-Severin				
Households, of which:	375.8	443.2	512.6	558.7
– consumer loans	318.2	346.1	380.1	396.9
– housing loans	44.2	85.2	120.3	152.6
– loans for other purposes	8.8	7.6	4.4	3.8

Source: Authors' table based on the data from <http://www.bnr.ro>[13]

Table 6 shows the evolution of foreign currency loans to households from the West Region. At loans for households the trend is decreasing as follows: in Hunedoara County, the decrease is 53%, in Caraș-Severin 29%, in Arad County by 22.6%, and in Timiș

County by 22.8%. The consumer credit situation is also down: falling with 47% in Caraș-Severin County, with 45% in Timiș and 40% in Hunedoara.

Table 5.
The evolution of loans granted to households in foreign currency
- lei million-

	2014	2015	2016	2017
Arad				
Households, of which:	884.3	800.5	683.2	604,5
– consumer loans	371.1	311.9	250.0	211,4
– housing loans	496.4	477.2	423.7	384,3
– loans for other purposes	4.6	3.3	2.9	2,5
Timiș				
Households, of which:	3021.3	2776.7	2358.8	2076.9
– consumer loans	1031.5	899.0	692.8	567.2
– housing loans	1935.7	1841.5	1640.3	1493.3
– loans for other purposes	30.1	16.5	13.9	7.6
Hunedoara				
Households, of which:	276.2	216.6	143.3	130.8
– consumer loans	599.0	483.0	403.1	356.2
– housing loans	339.0	241.9	186.3	157.6
– loans for other purposes	256.9	238.8	215.5	197.4
Caras-Severin				
Households, of which:	319.1	263.6	223.0	190.8
– consumer loans	187.2	147.6	119.5	97.7
– housing loans	13,4	114.5	102.3	92.3
– loans for other purposes	0.0	0.0	0.0	0.0

Source: Authors' table based on the data from <http://www.bnr.ro> [13]

According to a draft regulation of the NBR, it proposes that the maximum leverage ratio, meaning the ratio between customer income and monthly credit rate that will be taken, to be capped on a model applied before 2007. This means that a large part of the Romanians who today qualify for a loan will remain outside, after the adoption of the regulation [15,16].

According to an annex to this project, the maximum indebtedness degree on consumer loans in lei is 30% for fixed interest loans and only 25% for variable interest loans. Also, foreign currency loans, limited by other regulations, will be almost impossible to access, given that the maximum indebtedness degree accepted will be only 15% in the case of variable interest loans [15, 16].

For loans dedicated house purchase, the maximum indebtedness degree was set at 45% if it is the first loan borrowed by the borrower and the loan is used to purchase a house used as a personal house. In other cases, the debt ratio is up to 40%.

At present, there are banks that give loans with an indebtedness degree of up to 70%, for consumer loans and up to 55-60% for real estate [14, 17].

This means that the limitations proposed by the NBR will have a major impact.

CONCLUSIONS

Customers' decision to borrow depends on expectations regarding future income, whether we are talking about a person or a business. As a result of rising incomes, Romanians are starting to take back loans again, but according to the NBR, the risk of over-indebtedness of the population is rising, on the background of rising interest rates.

We can conclude that the evolution of non-governmental credit in the Region of the West, as well as in Romania, tends to grow.

The developments presented lead to the conclusion that the main factor limiting lending in Romania is legislative uncertainty, and fiscal stimulation cannot continue to infinity, because the correlation between how much you earn and how much you spend, sooner or later, hit hard. Romanians are generally optimistic about their financial situation, but also about the evolution of national economy in the coming period. However, most people think carefully before taking a loan and no more than they think they can repay at maturity without any problems.

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