

CREDITING AND SAVINGS IN ARAD COUNTY. DEVELOPMENTS AND PERSPECTIVES

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RESEARCH ARTICLE

Abstract

The article presents the evolution of bank loans and deposits in the period 2012-2021 in Arad County.

Through the lending process, funding resources are provided for the development of the national economy and beyond, the lending products created by the banking system being diverse and adapted to market requirements.

Through the process of saving, according to the scientific research in the specialized literature, the progress of the bank's activity is primarily influenced, also determining the delay of some activities, which will create other consumption and saving behaviors.

The methodology used by the authors involved the collection of data made available to interested users by the NBR through the bank's website, the study of some research in the field from the specific literature, the analysis of information and the representation of graphs.

The perspectives of the lending process are dependent on the quantitative and qualitative dimensions.

The granting of loans by banks can influence the creation or maintenance of relations with them, an evolution of the client's deposits, but also of the demand for other banking services.

Keywords: bank, savings, bank credit, bank deposit

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INTRODUCTION

The characteristics of the saving process directly influence economic growth, as a result of the fact that savings create the source of financing for innovation, the service of the public debt, but also for increasing the productivity of capital. Internal saving, which is essential for Romania, must be stimulated through appropriate economic policies. (NBR)

Economists and decision makers consider financial inclusion a priority for development. Recently, the comprehensive role of saving has been added to the objective of improving access to credit. (Alliance for Financial Inclusion, 2016)

In order to ensure the growth of savings and well-being, it is good for banks to reduce lending constraints. (Granda et al., 2019)

Banks and financial markets, as elements of the financial system, have been the subject of many studies and analyses, with the aim of identifying its importance. (Mitu, 2020, Błach, 2011)

The level and pace of development of a country will always depend on the country or the development of the region to which the institutional, political and legal environment is added. (Prochniak & Wasiak, 2017)

Since 1990, the Romanian banking system has obtained profit, especially on account of the bank deposits attracted, temporarily available resources of the society and to contribute to the progress of the economy based on the principles of the market economy. Also, the banking system has developed different financial intelligence programs, through which it aimed to teach customers, non-financial companies and households, to get money, through investments, using the financial resources of the banks, by accessing a bank loan. (Stănescu & Nedelescu, 2010)

The granting of excess credits as a result of the increase in the supply of goods, negatively affects consumers and can endanger health, protection of life and safety. (Ilie&Ungureanu, 2014)

Prin intermediul unui credit bancar, clienți, fie ca discutăm despre companiile nefinanciare sau gospodăriile populației, vor învăța să obțină bani și să facă investiții cu efecte pozitive asupra economiei naționale. (Meila et al., 2018; Sîrbulescu et al., 2018, Cocriș & Chirleşan, 2017;)

The use of loans and deposits in Arad county can play a significant role in stimulating local economic activity and supporting development in this region of Romania.

In Arad County, the provision of loans can be made by various financial institutions, including commercial banks, credit cooperatives, microfinance institutions or other non-banking financial institutions.

As for savings deposits in Arad County, they can be an effective way for area residents to save money and manage their personal finances responsibly. Financial institutions, including commercial banks and credit unions, can offer a variety of savings deposit options tailored to the needs and preferences of customers in Arad County.

The analysis of lending and savings in Arad county, at the same time, the identification of trends in the evolution of bank deposits, as well as the demand for loans, is the main objective of this paper.



MATERIAL AND METODS

For the elaboration of this study, the authors used research methods such as: collecting data from different sources, analyzing and comparing the results and creating graphs and representative figures.

Arad County is part of the West development region (Figure 1) being located in the western part of the country, on one side and the other of Mureş. It borders Bihor county, Alba county, Timiş county, Hunedoara county and has a border with Hungary. (<http://www.enciclopediaromaniei.ro>; <http://www.cjarad.ro/judetul-arad>)

Considered from an economic point of view as one of the most important counties of the country, it has an old commercial and industrial tradition. (<https://www.cniptarad.ro>)



Figure 1. Arad County map

Source:<https://www.startupcafe.ro/fonduri-europene/banat-regiunea-vest-program-operational-regional-bani-imm.htm>
https://www.123rf.com/photo_8660236_graphic-illustration-of-arad-county-from-romania.html

The use of financial lending and deposit instruments is measured with the help of economic indicators, and all these data are transposed by the BNR (National Bank of Romania) accurately for each county of the country and updated every month and year.

For this article, we have selected data over a period of ten years, starting from 2012 to 2021, in order to see the differences and to be able to compare the data over a longer period of time.

RESULTS AND DISCUSSION

The analysis of the evolution of the two aspects, lending and saving, in the period 2012-2021 highlights a different evolution from one year to another, with significant increases and decreases in certain years.

The evolution of the non-governmental credit was realized and presented in lei and currency by types of beneficiaries..

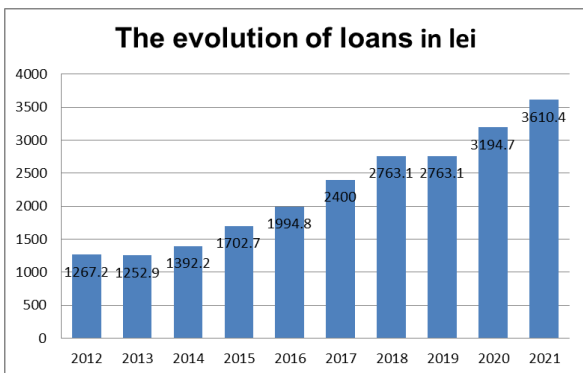


Figure 2. Loan evolution in lei (millions of lei)
Source: <http://www.bnr.ro>

Over a period of ten years, loans to non-governmental clients in lei registered significant increases from one year to another, except for 2013 when loans decreased by 1.18% compared to 2012.

From 2012 to 2021, loans to non-governmental clients in lei increased by 184.93%.

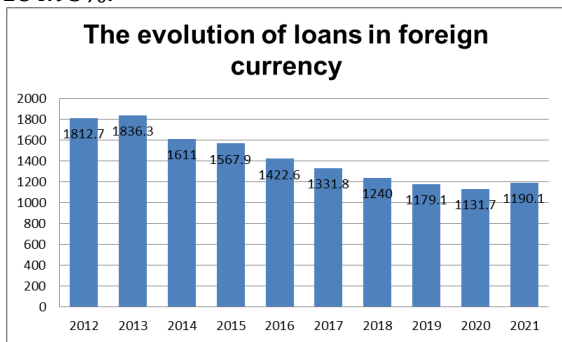


Figure 3. Evolution of loans in foreign currency (millions of lei)
Source: <http://www.bnr.ro>

Unlike loans to non-governmental clients in lei, foreign currency loans decreased over the ten years with a difference of 34% in 2021 compared to 2012.

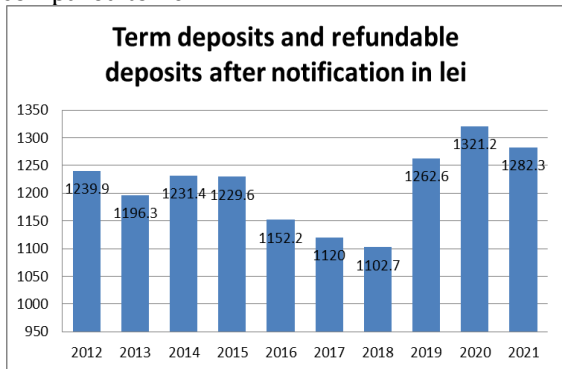


Figure 4. Time deposits and deposits repayable after notification in lei (millions of lei)
Source: <http://www.bnr.ro>

The largest amount granted in the form of foreign currency credits was recorded in 2013, with a value of 1836.3 million lei.

As we can see, term deposits and repayable deposits in lei have not had a constant evolution over the years. The lowest amount was recorded in 2018, and the highest amounts existed in 2020 and 2021.

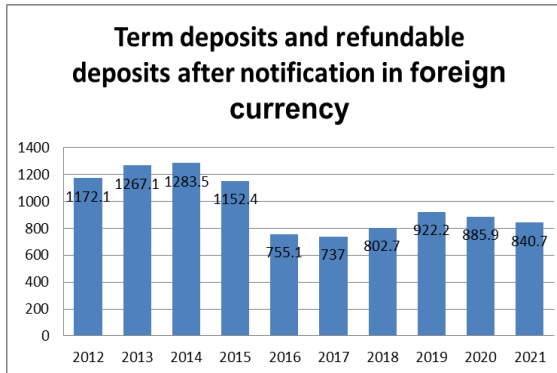


Figure 5. Term deposits and refundable deposits after notification in foreign currency (millions of lei)
Source: <http://www.bnr.ro>

In the case of foreign currency deposits, the largest deposits existed between 2012-2015, followed by a significant decrease in 2016. In the following years, there was a growing trend, but it did not match the records of the previous years.

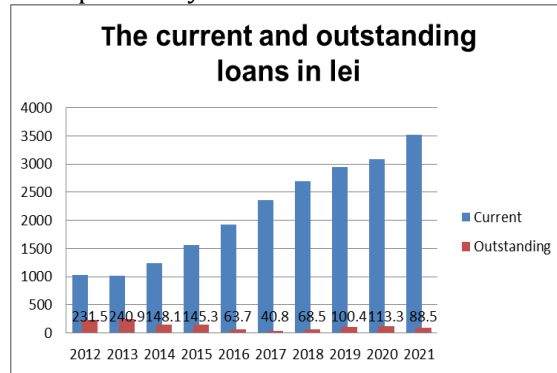


Figure 6. Current and outstanding loans in lei (millions of lei)
Source: <http://www.bnr.ro>

Throughout the ten years, there were changes regarding current and outstanding loans in lei, but the changes were opposite in the two cases.

When it comes to current loans in lei, they have increased over the years, reaching the point that in 2021 they will increase by 240.19% compared to 2012.

The outstanding credits in lei, unlike the current ones, gradually decreased during ten years, reaching a difference of over 100 million lei.

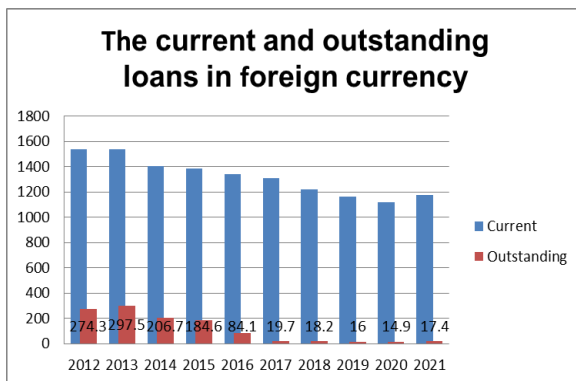


Figure 7. Current and outstanding loans in foreign currency (millions of lei)
Source: <http://www.bnr.ro>

If the current credits in lei increased during 2012-2021, the current credits in foreign currency decreased over the years, and in 2021 the current credits in foreign currency are lower by 23.8% compared to 2012. Also, outstanding loans in foreign currency in Arad county decreased considerably in 2021, unlike in 2012, reaching a difference of over 250 million lei.

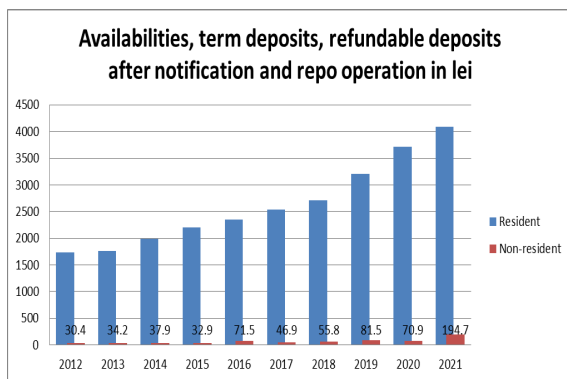


Figure 8. Availability, time deposits, deposits repayable after notification and repo operations in lei (millions of lei)
Source: <http://www.bnr.ro>

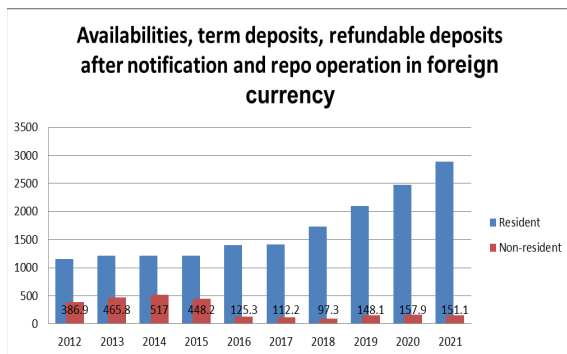


Figure 9. Availability, time deposits, deposits repayable after notification and repo operations in foreign currency (millions of lei)
Source: <http://www.bnr.ro>

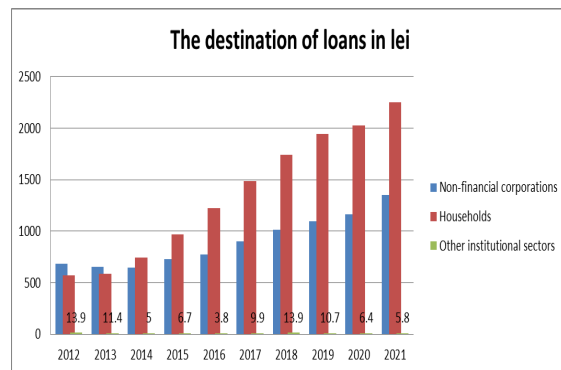


Figure 10. Evolution by destination of credits in lei (millions of lei)
Source: <http://www.bnr.ro>

Most of the loans in lei from 2014 to 2021 go to households, followed by financial companies. In 2012-2013, most of the loans in lei went to non-financial companies.

The smallest number of credits in lei go to other institutional sectors.

In the year 2021, the largest number of loans in lei reached the households of the population and also this year, non-financial companies had the largest loans in lei during the ten years.

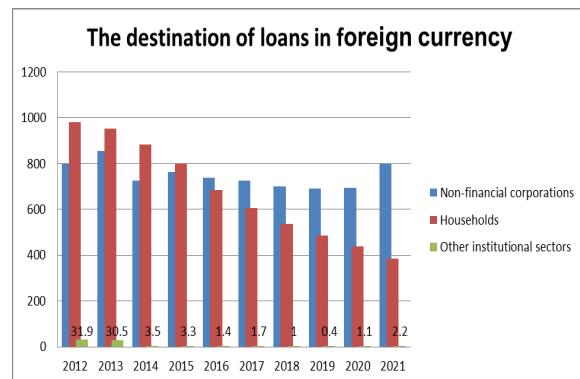


Figure 11. Evolution by destination of loans in foreign currency (millions of lei)
Source: <http://www.bnr.ro>

The destination of foreign currency loans is totally opposite to the destination of loans in lei.

Households had the largest number of foreign currency loans in 2012, and in 2021 they will decrease by 60.71%.

For non-financial companies, the number of loans in foreign currency was constant over the years, but the largest loans were in 2021 and 2012.

The other institutional sectors had a significant number of loans in 2012-2013, then they gradually decreased, and in 2021 they will no longer exist.

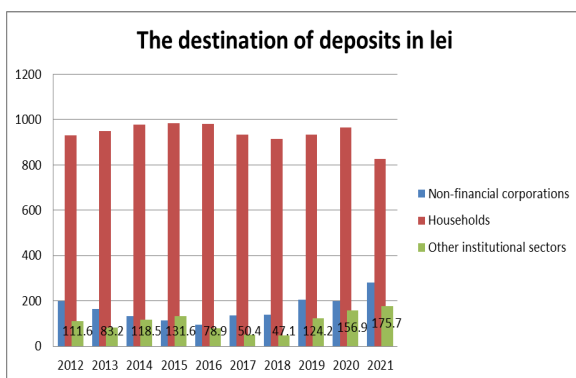


Figure 12. Evolution by destination of deposits in lei (millions of lei)

Source: <http://www.bnr.ro>

During the ten years, the destination of deposits in lei is mostly towards households. The number of deposits over the years is relatively constant, the highest figures being recorded in 2016, and the lowest in 2021.

Also, a small part of the deposits are directed towards non-financial companies and other institutional sectors.

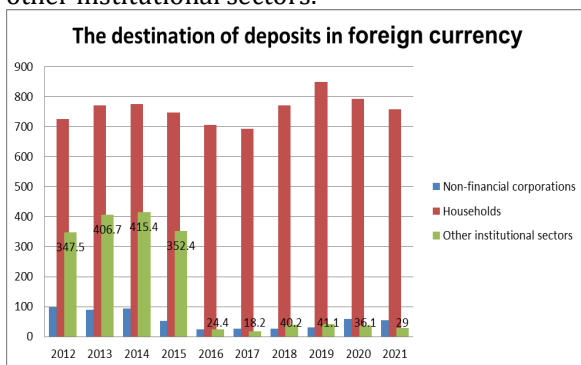


Figure 13. Evolution by destination of foreign currency deposits (millions of lei)

Source: <http://www.bnr.ro>

In the case of deposits in foreign currency, as in the case of deposits in lei, most of them go to the households of the population. The largest foreign currency deposits intended for households existed in 2019.

In the period 2012-2015, the volume of term deposits intended for other institutional sectors followed an upward trend, but starting with 2016, they began to decrease significantly..

CONCLUSIONS

In this work, the main goal was to analyze the evolution of savings and lending in lei and foreign currency over a period of ten years in Arad county.

The evolution of loans to non-governmental clients in lei and foreign currency

has been constant over the years. In the case of credits in lei, they increased by a difference of 184.93% in 2021 compared to 2012, and credits in foreign currency decreased in 2021 by 34% compared to 2012.

Over the ten years, in Arad County, the outstanding credits both in lei and in foreign currency decreased, but current credits in lei increased by 240.19% in 2021 compared to 2012, and current credits in foreign currency decreased in 2021 with 23.8% compared to 2012.

In Arad county, the destination of credits in lei and foreign currency were mostly towards households and non-financial companies. And the loans granted to households were used for consumption and housing.

The evolution of credits granted in lei and in foreign currency in Arad county, during the ten years, was not constant and there were numerous changes and significant oppositions. Making the decision to borrow depends on the level of future earnings, both for a population, but also for non-financial companies and other institutions.

Certainly, as a result of the rise in income, the people of Arad decided to increase the level of savings, which had a considerable contribution to the increase in availability and bank deposits.

The conclusion reached by the authors is that the rise of non-governmental credit in lei in Arad county, in the West Region, but also at the country level, was followed by a decrease in credit in foreign currency. Moreover, during the ten years under review, the people of Arad continued to keep money in savings deposits, either in lei or in foreign currency.

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