

Recent Developments Of The Internal Credit In Romania

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Abstract: The article presents the structure of the Romanian banking system and the evolution of internal credit (governmental and non-governmental). Both aspects are analyzed from the point of view of their progress, retrospectively on the one hand, and potential systemic and macroeconomic risks on the other.

The banking system, through intermediation services, contributes to Romania's GDP (attracting deposits and placing loans), concretely by generating gross added value in the economy, its impact extending beyond economic aspects, as banks have an increased degree of responsibility towards the community.

• Introduction

Credit institutions operate in a complex and heavily regulated environment. Changes in the economic climate imply new regulatory requirements. [2. deloitte]

The COVID-19 pandemic has led to an intensification of efforts to manage the economic effects, and brought new obstacles for credit institutions.

The purpose of the article is to identify the role of the banking system in Romania in the current economic and financial context and aspects related to the evolution of domestic credit. The research started from the role of the banking system, considered the pillar of the financial system in Romania.

The Romanian financial system has the following composition shown in figure 1.

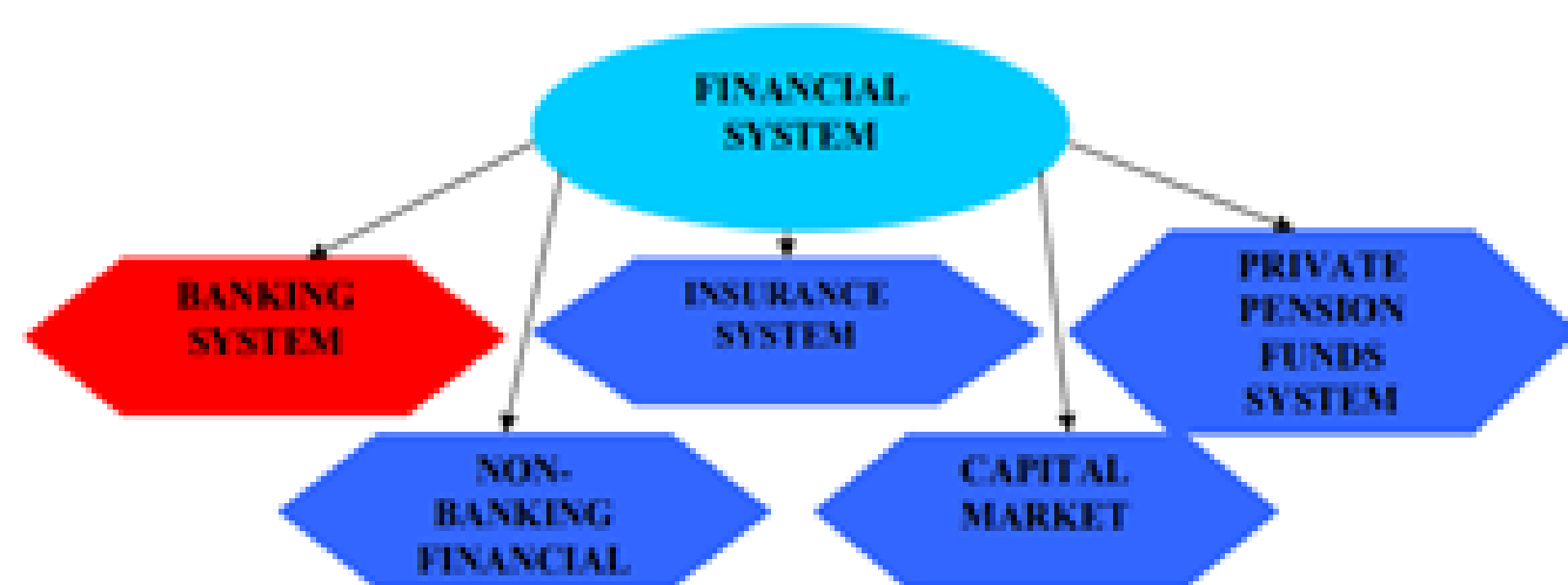


Figure 1. Financial system composition

• Material and method

The research methodology is based on a diverse bibliography and consisted of collecting information from the literature and includes along with books, articles, papers and statistical data provided by INS. The information collected through documentation, was subjected to analysis, was processed formulating the conclusions.

• Results and discussions

Table 1. Aggregate indicators regarding credit institutions

Years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Aggregate indicators										
Number of credit institutions	40	40	36	37	35	35	35	34	34	32
from which foreign bank branches	9	9	7	8	7	7	7	8	8	8
Total net assets (billion lei)	362.2	364.1	377.1	393.6	427.7	451.1	495.2	560.0	639.8	701.4
Assets of institutions with private capital (% of total assets)	91.50	91.30	91.70	91.80	91.30	91.90	91.80	89.40	88.6	87.9
Assets of institutions with foreign capital (% of total assets)	90.0	89.90	90.40	91.30	77.00	75.00	73.70	70.50	68.2	68.1
Solvency indicator (≥8%) (%)	15.46	17.59	19.16	19.68	19.97	20.71	22.2	25.14	23.32	21.83
Leverage (%)	7.96	7.38	8.18	8.92	8.89	9.34	10.20	10.30	8.62	7.84
Impaired receivables (% of total loans)	11.64	9.39	7.04	4.89	3.02	1.96	1.63	1.30	1.13	0.93
Impaired receivables (% of total assets)	6.50	5.10	3.85	2.67	1.64	1.08	0.88	0.65	0.59	0.50
Impaired receivables (% of total debts)	7.25	5.65	4.29	2.98	1.83	1.21	0.99	0.73	0.66	0.55
Rate of return on assets-ROA (%)	0.01	-1.32	1.24	1.08	1.30	1.55	1.34	0.95	1.36	1.52
Return on equity-ROE (%)	0.13	-12.45	11.77	10.42	12.51	14.58	12.21	8.66	13.28	16.59
Rate of return on the core business (%)	176.85	180.19	171.31	188.57	181.62	188.07	184.09	185.74	185.48	192.65
Loans granted / Deposits attracted (%)	104.59	91.33	85.39	79.05	74.74	73.64	70.99	65.89	68.78	70.52
Non-performing loan rate (%)	-	20.71	13.51	9.62	6.41	4.96	4.09	3.83	3.35	2.65

Table 2. Trends in the evolution of domestic credit by component -millions of lei-

Years	Credit intern	Government loan	Non-government loan
2013	298,922.5	80,460.2	218,462.3
2014	296,710.8	85,546.6	211,164.2
2015	307,324.1	89,635.0	217,689.1
2016	313,358.6	93,258.1	220,100.5
2017	330,685.9	98,044.9	232,641.0
2018	356,616.5	105,516.4	251,100.1
2019	383,787.2	116,212.2	267,575.0
2020	427,961.6	145,591.1	282,370.5
2021	496,902.2	172,637.5	324,264.7
2022	533,707.9	170,099.7	363,608.2

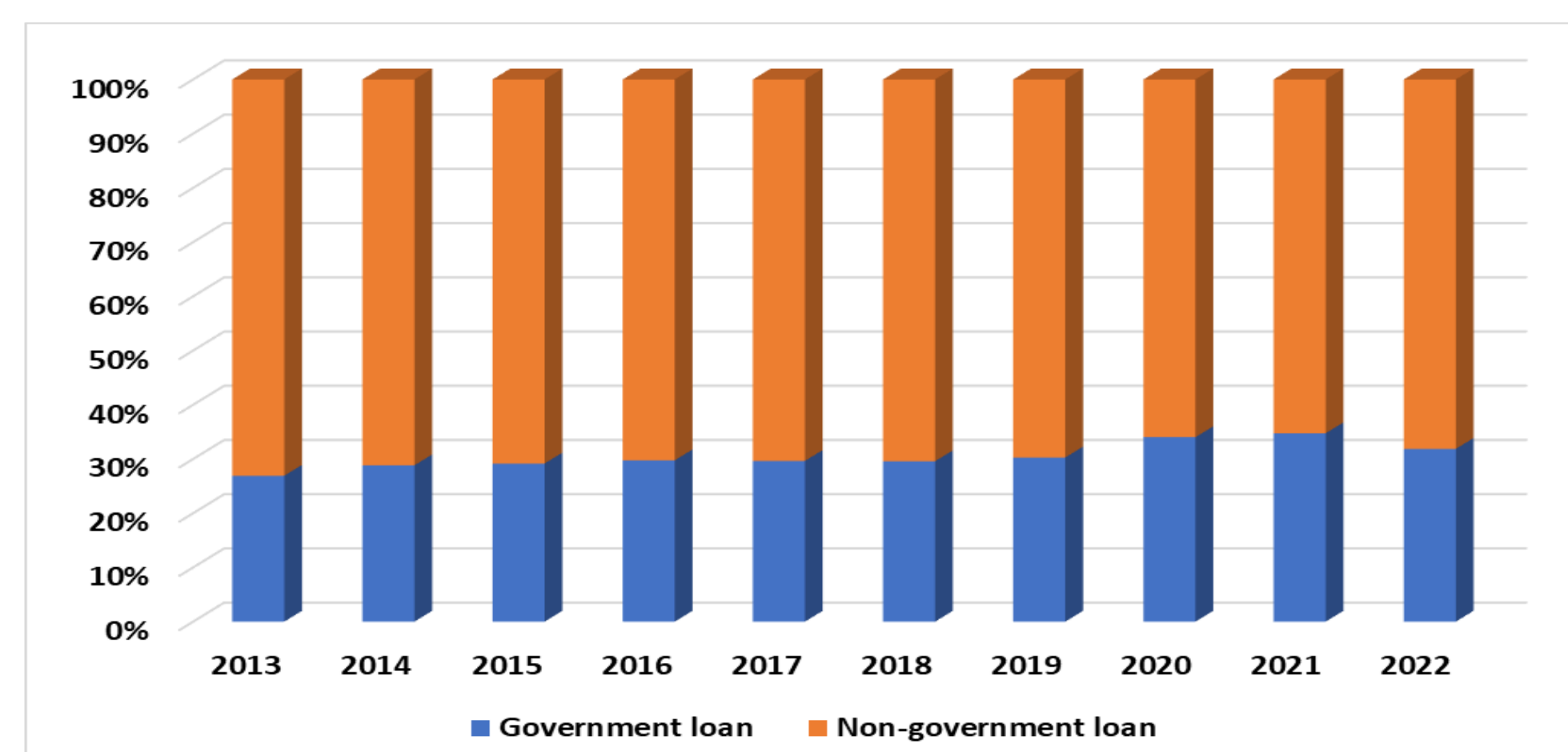


Figure 2. The evolution of non-governmental credit compared to government credit

Table 2. Interest rate for new loans

	Monetary policy rate	ROBOR 3M	IRCC - benchmark index for loans to consumers	Consumer loans (quarterly average)	Mortgage loans (quarterly average)
2013	3.75	2.58	-	13.49	6.46
2014	2.50	1.69	-	11.55	5.29
2015	1.75	1.03	-	10.67	4.19
2016	1.75	0.83	-	10.07	3.87
2017	2.00	2.13	-	10.12	4.44
2018	2.50	3.05	-	10.70	6.13
2019	2.50	3.12	2.36	10.40	5.68
2020	1.50	2.04	1.88	9.96	5.31
2021	1.75	2.83	1.17	9.22	4.02

• Conclusions

This analysis of the Romanian banking system confirms the research hypotheses according to which there are a series of potential indicators that provide us with warning signals in identifying moments of pressure of the banking system on the economy. Summarizing the main results, it emerges that these signals appear at different time horizons

