Crediting in the South-West Region Oltenia, Gap Recovery Solution

Claudia Sîrbulescu[1]*, Andrea Feher[1], Mariana Chirilă[2], Dorin Chirilă[2]

[1]*Banat's University of Agricultural Sciences and Veterinary Medicine "King Michael I of Romania" from Timisoara, Faculty of Management and Rural Tourism, Calea Aradului, No 119, Romania*
[2]*Polytechnic University Timisoara, Piața Victoriei, No.2, Romania*

Abstract
The paper analyzes the bank credit granted to bank customers in the 2016-2020 period, supporting them recently and to limit the negative effects on individual economic well-being, of public health and safety in the context of the pandemic caused by the new coronavirus. It is shown that the lending process represents the main financing flow of a country's economy, so that credit institutions have continued to support through loans both the needs of the population and the activity of companies affected by pandemic restrictions. The research methods used by the authors of the paper consisted in data collection, documentary analysis, and graphic representation. Increasing lending and the number of people who own banking products and services, over time, leads to increased economic well-being.

Keywords: banks, customers, loans, payment

1. Introduction

Banks provide the population and companies with access to the funds they need for savings and investments, thus playing a key role in supporting a solid economy. [1, 2]
The hypothesis can be issued that the basis for economic growth is possible through the financing by banking institutions of areas of activity that impact the national economy.
Through the prism of the special position within the economy, banks must also follow certain rules to be safe and robust enough to deal with possible shocks. [3]
The motivation for choosing the topic was influenced by the evolution of the banking system worldwide and in Romania on the one hand, as well as by the diversification of products and credit conditions on the other hand.

The objective of the article is the analysis of the loans granted by the banking system to the clients from the South West Oltenia Region.
We believe that certain concepts and the links established between them must be clarified first.
The definition and meanings of credit are differently approached in the literature in the country and abroad.
According to Gh. D. Bistriceanu: "credit represents an exchange, which begins in the present and ends in the future".[4]
According to V. Slăvescu, "credit and the credit operation constitute that economic fact by which a sum of money made at a given moment by an economic subject is transferred, into another economic subject, with the latter's obligation to repay later, at a fixed term, the amount received plus a sum of money, which is called interest". [5]
T. Fitch defined credit as "an expression of the exchange relationship on the basis of which certain goods and services or even liquidity is obtained through the commitment of a future payment".[6]

* Corresponding author: Claudia Sîrbulescu, claudiasirbulescu@usab-tm.ro

According to Miller, however, there are common elements that define credit, such as: [7]
- the available liquidity of creditors and the agreement to place them, in the form of a loan, with persons, called debtors;
- loss of rights by the creditor, for a set period of time;
- repayment of the loan by the client, at maturity, plus interest due.

According to C. Kiritescu and E. Dobrescu, credit is a "monetary relationship between a natural or legal person called a creditor who grants another person, the debtor a loan in cash or who sells goods or services on debt in general with a stable interest rate depending on the risk assumed by the creditor or the reputation of the debtor". [8]
According to N Dardac, C Basno, C. Floricel "The bank loan is the operation by which the resources are immediately taken over, in exchange for a promise of future repayment, normally accompanied by the payment of an interest which remunerates the lender". [9]
Non-governmental loans represent the main form of use of resources, being granted to individuals and agencies in the economy and constitute the portfolio of assets for a commercial bank. [10,11]

2. Material and method

The methods used to support the research consisted of documentary analysis, synthesis, graphical representation of observed processes and phenomena, classification, static and dynamic comparative analysis, logic, investigation which have sustain the hypotheses that lending to bank customers in general is strongly influenced by resources financial statements of each individual/ economic agent, in close connection with the economic and financial potential of the area in which it is located, as well as with the economy of the country as a whole..

3. Results and discussions

The increase of lending and the number of people who have banking products and services, over time, leads to the increase of the economic well-being of Romanians. [12]
When obtaining a loan, it must have advantages for both parties, both the bank and the client.
The advantages of the two participants are: the bank obtains additional profit, the client develops his business, obtains profit and can repay the loan plus interest. [13,14]
The analysis of the loans in lei and in foreign currency granted by the banking system to the non-governmental clients from the South West Oltenia Region is presented in tables 1 and 2. From the analysis of the data in the period 2016-2020 it results:
- loans granted in lei increased by 2,785.8 million lei from 9,358.30 million lei in 2016 to 12,144.10 million lei in 2020;
- from the five counties that are part of the South West Region, we notice that the highest increase in loans was registered in Dolj County, 1,176.60 million lei, followed by Olt County (increase of 684 million lei). The explanation is that it is the county with the largest number of inhabitants from the Region;
- for Mehedinți County, the value of loans granted was the lowest compared to the other counties, of only 707.8 million lei in 2016 and 881.4 million in 2020;
- the smallest increase in the amounts granted in the form of loans was in Gorj County of only 88.7 million lei in the analyzed period, being the only county where lending decreased in 2020, compared to 2019 due to the pandemic caused by the new coronavirus.

The upward trend of loans in lei was influenced by lower interest rates, lower advances and non-existent foreign exchange risk. Also, the offers for these loans are numerous, given that many large banks have given up mortgage financing in foreign currency. [13,14]
The currency of credit to the population was the preference for currency.
Lending in foreign currency has become increasingly expensive compared to that in lei, the reason why customers chose these loans has disappear. [14]

Table 1. The evolution of non-governmental clients' loans in lei from the South West Oltenia Region

- lei millions-

Years	*Dolj*	*Gorj*	*Mehedinți*	*Olt*	*Vâlcea*	*South West Oltenia Region*	*Romania*
2016	4,034.6	1,862.3	707.8	1,189.9	1,563.7	9,358.3	126,200,1
2017	4,292.2	1,739.5	738.4	1,348.4	1,799.2	9,917.7	146,238.9
2018	4,664.6	1,825.5	787.4	1,496.4	1,956.8	10,730.7	165,901,6
2019	5,235.3	2,083.2	845.2	1,666.5	2,054.9	11,885.1	181,228,1
2020	5,211.2	1,951.0	881.4	1,873.5	2,227.0	12,144.1	196,972,9

Source: Authors' table based on the data from http://www.bnro.ro

The trend of foreign currency loans (table 2) is decreasing in the period 2016-2020 in the five counties of the South West Oltenia Regions.
Foreign currency loans from the South-West Oltenia Region registered a decreasing trend by over 26.9%, respectively 1,134.5 million lei (from 4,214.10 million lei in 2016, to 3,079.60 million lei in 2020).

The largest decrease in loans in foreign currency was in Gorj County, of over 59%, (from 552.5 million lei to 221.7 million lei) and Valcea 30.15, followed by Olt with 26.7% and Dolj de 19%.
This decreasing trend of foreign currency lending is determined by the preference of Romanians to borrow in lei lately, these being more attractive, with lower interest rates close to the cost of foreign currency loans.

Table 2. The evolution of non-governmental clients' loans in foreign currency from the South West Oltenia Region

-lei millions-

Years	*Dolj*	*Gorj*	*Mehedinți*	*Olt*	*Vâlcea*	*South West Oltenia Region*	*Romania*
2016	1,876.2	552.5	421.7	737.6	626.1	4,214.1	96,747.5
2017	1,685.0	418.4	399.9	798.4	521.9	3,823.6	89,059.5
2018	1,452.7	295.7	382.2	843.0	468.6	3,442.2	87,888.7
2019	1,402.0	285.1	379.8	678.9	480.2	3,226.0	88,576.3
2020	1,519.4	221.7	364.4	540.5	433.6	3,079.6	89,137.3

Source: Authors' table based on the data from http://www.bnro.ro

Compared by counties, for loans in lei (table 3), the worst-paying were the clients from Vâlcea County who had in 2020, arrears representing 2.93% of the total loans granted in the county, followed by Mehedinți County with 2.34%. At the opposite pole, were the clients of the banks from Dolj, which had arrears representing only 1.48% from the total loans granted in the county, Olt with 1.55% and Gorj 1.57%. However, compared to 2019, the outstanding loans in lei decreased in 2020. For example, in Dolj County, the outstanding loans decreased in 2020 compared to 2019 by 0.25%.
For the outstanding loans in foreign currency (table 4) the situation is approximately the same, the worst payers being also those from Vâlcea County who had in 2020, arrears representing 3.82% from the total loans granted in the county, followed by Mehedinți with 2.63% and Dolj with 2.37%. The best payers were the clients of the banks from Olt, with arrears representing only 0.86% of the loans granted in the county and Gorj with 1.39%.

Table 3. The evolution of current and outstanding loans in lei

-lei millions-

	2016	*2017*	*2018*	*2019*	*2020*
			Dolj		
current loans	3,836.4	4,192.3	4,568.0	5,144.8	5,134.0
overdue loans	198.2	99.8	96.6	90.5	77.3
			Gorj		
current loans	1,769.8	565.9	1,784.3	2,047.7	1,920.3
overdue loans	92.5	70.0	41.1	35.5	30.7
			Mehedinti		
current loans	620.6	681.2	742.5	820.2	860,7
overdue loans	87.2	57.2	44.8	25.0	20,7
			Olt		
current loans	1,144.9	1,311.8	1,467.4	1,638.2	1,844.3
overdue loans	45.0	36.6	29.0	28.4	29.2
			Vâlcea		
current loans	1,449.2	1,703.3	1,874.8	1,985.4	2,161.7
overdue loans	114.5	95.9	82.0	69.4	65.3

Sources: http://www.bnro.ro

Banks have tightened lending conditions in 2020, with the consequence that the number of rejected applications for the population and companies will increase.

The analysis of the evolution of non-government credit in the 2016 - 2020 period, reveals the following aspects presented below. For loans in lei by destination (figures 1,2,3,4, and 5) it results:

- the lending in lei of the non-financial companies in Dolj County, did not register spectacular increases from one year to another during the analyzed period. Comparing the year 2019 and 2020, we notice a decrease in the lending of companies in Dolj and Gorj, against the background of the tightening of credit standards to some extent;
- increases in loans granted to companies in 2020 were registered in Olt County (133 million lei) and Vâlcea (108 million lei), and the smallest increase was in Mehedinți of only 10.6 million lei;
- loans in lei granted to households registered an increasing trend in all counties of South West Regions in 2020. In Dolj County (figure 1) they increased in 2020 compared to 2019 by 6.85% (from 2810.0 million lei in 2019, to 3017.6 million lei in 2020), and the smallest increase was in Mehedinți County (increase of 3.56% in 2020 compared to 2019).

Table 4. Evolution of current and outstanding loans in foreign currency

-lei millions-

	2016	*2017*	*2018*	*2019*	*2020*
			Dolj		
current loans	1,728.5	1,603.7	1,389.8	1,364.7	1,483.3
overdue loans	147.7	81.3	62.9	37.3	36.1
			Gorj		
current loans	530.6	408.6	287.6	280.8	218.6
overdue loans	21.9	9.9	8.1	4.3	3.1
			Mehedinti		
current loans	383.0	373.0	358.9	367.2	354.8
overdue loans	38.7	26.9	23.3	12.5	9.6
			Olt		
current loans	711.6	777.0	835.8	672.4	535.7
overdue loans	26.0	21.5	7.2	6.5	4.7
			Vâlcea		
current loans	535.7	463.8	442.9	462.9	417.1
overdue loans	90.4	58.1	25.7	17.3	16.6

Sources: http://www.bnro.ro

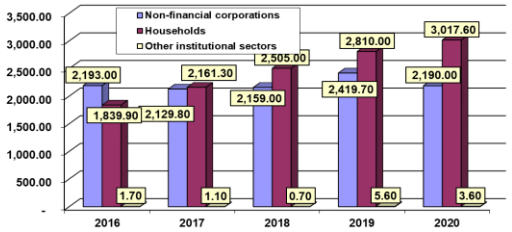

Figure 1. Loans in lei granted by destination in Dolj County (millions of lei)

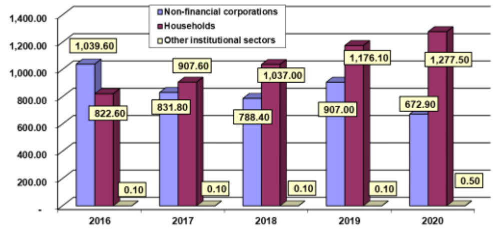

Figure 2. Loans granted in lei by destination in Gorj County (millions of lei)

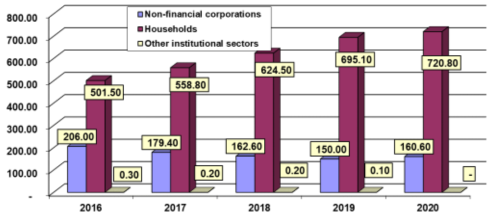

Figure 3. Loans granted in lei by destination in Mehedinți County (millions of lei)

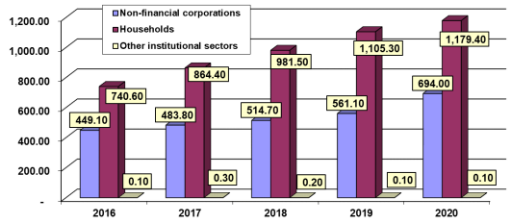

Figure 4. Loans granted in lei by destination in Olt County (millions of lei)

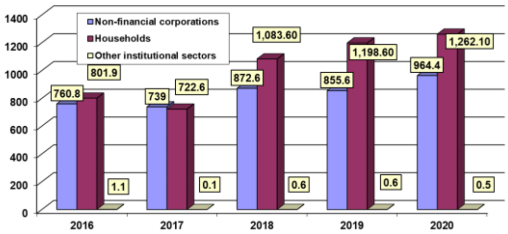

Figure 5. Loans granted in lei by destination in Vâlcea County (millions of lei)

Figures 6, 7, 8, 9 and 10 illustrate the foreign currency loans that registered the following trends: foreign currency loans to non-financial corporations increased in Dolj and Mehedinti counties, including in 2020; Demand for loans has been relatively constant from companies, but some banks have seen an increase in demand for loans, a trend driven by numerous requests for long-term financing from SMEs; foreign currency loans obtained by the population followed a decreasing trajectory during 2016-2020, in all counties from the South West Oltenia Region, over 44% in Gorj, 38% in Vâlcea, over 36% in Olt and Mehedinți and Dolj counties 35%. .

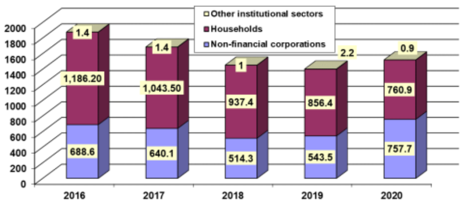

Figure 6. Foreign currency loans granted by destination in Dolj County (millions of lei)

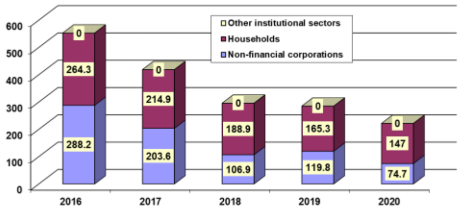

Figure 7. Loans granted in foreign currency by destination in Gorj County (millions of lei)

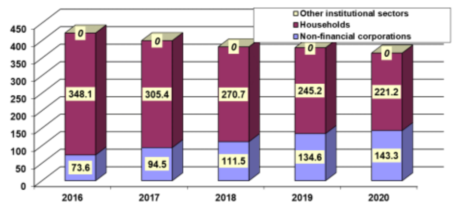

Figure 8. Loans granted in foreign currency by destination in Mehedinți County (million lei)

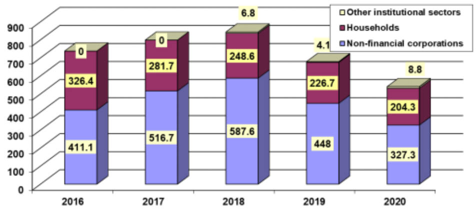

Figure 9. Loans granted in foreign currency by destination in Olt County (millions of lei)

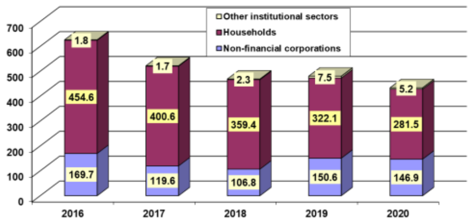

Figure 10. Loans granted in foreign currency by destination in Vâlcea County (millions of lei)

The dynamics of non-government credit in lei (table 5) in recent years has been largely supported by the sharp expansion of credit granted to the population by credit institutions.

According to the NBR, in the context of the situation created by the COVID-19 pandemic, lending standards for real estate loans to the population have been tightened. [14,15]

However, the houses in Dolj County are still the most expensive from the region, followed by those from Gorj, and in Olt the cheapest homes from the area are traded.

Table 5 contains the main evolutions of lending in lei of households in the South West Region: in Dolj, Gorj and Olt, housing loans increased by over 55% in 2020 compared to 2016; for Mehedinți and Valcea counties the situation is similar, the increases being over 52%.

Table 5. The evolution of loans granted to the population in lei from the South-West Region by destination

-lei millions-

	2016	*2017*	*2018*	*2019*	*2020*
			Dolj		
- Consumer credits	1.047.3	1.167.7	1.321.9	1.421.1	1.429.9
- Household credits	687.7	902.5	1.106.2	1.301.0	1.517.0
- Credits for other purposes	29.3	14.9	7.3	5.9	5.1
			Gorj		
- Consumer credits	614.4	648.6	720.9	802.3	842.2
- Household credits	192.4	249.0	308.0	366.9	427.4
- Credits for other purposes	4.6	2.1	1.3	1.0	0.8
			Mehedinti		
- Consumer credits	363.3	382.9	416.0	449.2	452.6
- Household credits	124.8	162.1	198.5	235.4	260.2
- Credits for other purposes	3.9	5.8	4.0	3.8	2.9
			Olt		
- Consumer credits	516.5	570.4	634.0	697.7	706.7
- Household credits	197.0	264.2	323.0	386.3	451.0
- Credits for other purposes	9.6	9.9	6.7	6.0	4.9
			Vâlcea		
- Consumer credits	527.1	593.5	666.4	716.1	710.0
- Household credits	257.9	331.5	408.8	473.8	545.0
- Credits for other purposes	10.0	5.9	3.5	3.2	2.6

Source: Authors' table based on the data from http://www.bnro.ro

Table 6. The evolution of loans granted to the population in lei from the South-West Region, in foreign currency by destination

-lei millions-

	2016	*2017*	*2018*	*2019*	*2020*
Dolj					
- Consumer credits	472.7	393.7	346.0	304.9	265.7
- Household credits	708.2	646.1	588.2	540.9	493.3
- Credits for other purposes	1.9	1.7	1.3	1.3	1.1
Gorj					
- Consumer credits	134.9	108.1	93.6	79.4	69.7
- Household credits	129.1	106.6	95.1	85.7	77.2
- Credits for other purposes	0.0	0.0	0.0	0.1	0.0
Mehedinti					
- Consumer credits	185.3	155.2	134.4	206.6	107.2
- Household credits	161.2	149.0	135.3	224.7	113.1
- Credits for other purposes	0.1	0.1	0.2	0.7	0.0
Olt					
- Consumer credits	176.9	147.1	127.6	114.8	102.7
- Household credits	148.8	134.0	120.6	111.6	101.5
- Credits for other purposes	0.1	0.1	0.1	0.1	0.1
Vâlcea					
- Consumer credits	183.9	158.9	138.2	120.3	103.0
- Household credits	267.8	239.5	219.3	200.0	176.9
- Credits for other purposes	1.5	1.4	1.2	1.0	1.0

Source: Authors' table based on the data from http://www.bnro.ro

In table 6 we presented the evolution of foreign currency loans granted to the population from the South West Region. For housing loans, the trend is decreasing in Gorj 40%, in Vâlcea 33.9%, in Olt 31.4%, in Dolj County the decrease is 30.3%, in Mehedinți of 29.8%. There is a decrease in the demand for consumer loans in foreign currency in all counties of the Region because the population thinks more before taking a loan and no more than they think they can repay.

4.Conclusions

Lately, customers from Oltenia no longer borrow from banks anyway and anytime. The tendency to contract less bank loans results from the analysis of data published by the NBR. Oltenians still borrow from banks, but the tendency is to limit loans.

If, in previous years, the volume of loans increased rapidly, now the increases are tempered. In addition, in some counties decreased the total volume of loans from banks.

In conclusion, in the case of lending of the population and companies, there is a decrease in demand for real estate loans in foreign currency, but estimates show that the number of consumer loans for the population and for companies in lei will increase.

References

1.Duican, Elena Raluca, Pop, Alina, 2015, The implications of credit activity on economic growth in Romania, Procedia Economics and Finance, 30, 2015, pp.195-201.

2.Sîrbulescu Claudia, Aspects Regarding the Risk in Banking Activity, Scientific Papers: Animal Science and Biotechnologies, 49 (2), 2016, pp. 230-236.

3. Mitu, Anca, Credite şi creditare pe piața bancară. Tendințe şi provocări, Editura Centrului de Informare şi Documentare Economică, Bucureşti, 2020.

4.Bistriceanu, G., Noţiuni bancare fundamentale, Editura Economică, Bucureşti, 2014.

5.Slăvescu, V., Organizaţia de credit a României, Editura Cartea Românească, Bucureşti, 1922.

6.Miller, R., Pulsinelli, R.W., Modern Monez and Banking, Editura Mc Graw, New Graw, New York, 1989.

7. Fitch, T., Dictionary of Banking Terms, Editura Baron's, New York, 1993, pp. 158.

8.Kiriţescu, C. C., Dobrescu, E. M., Moneda: mica enciclopedie, Editura Editura Enciclopedică, Bucureşti, 1998.
9.Dardac, N., Basno,C., Floricel C., Monedã şi credit", Editura Didactică şi Pedagogică Bucureşti 1994, pp.126.
10. Turliuc, V., Cocris, V., Monedă şi Credit, Editura Ankarom, 1997.
11.Nedelescu, M., Stănescu, Cristina, Produse şi servicii bancare, Editura Universitară, Bucureşti, 2012.
12. http://www.arb.ro.
13. http://www.economice.ro.
14. http://www.ziare.com.
15. www.bnro.ro.