

THE COMPETITION IN ROMANIAN BANKS

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The banks, as large financial intermediaries, are themselves placed in a global environment. Globalization will bring about a new online economic world, the so-called cyber-economics, a world in which competition in the banking sector acquires new dimensions and features. In Romania, the banking system was organized on modern basis, on the occidental performance principle. Competition in Romanian banks led to the approach of a new dimension in the client relations management, to an increase of the innovative role and to the regulation of bank management, the role of the bank informatics and to the re-organizing and efficiency of some bank activities. The emergence of new foreign bank societies on the Romanian market led to the assignment of the banking system on a new corridor of performance, due to the intensification of competition and the increase of offer for new complex bank services and products for the clients.

Key words: Romanian banking system, competition and regulation, the new dimension of the bank- client relation, bank activities performance.

PAPER CONTENT

In Romania, after 1990, a modern occidental banking system, based on the principle of bank universality was created.

The reform of the Romanian banking system in the period of transition toward the market economy led to its structuring on two levels or the two-tier banking system, respectively the central bank (The National Bank of Romania) and commercial banks. This new structure of the banking system meets the current requirements of the Romanian economy. The organizing of the Romanian banking system on the two levels assured, by law, the autonomy of the Romanian National Bank from the executive power, and to commercial banks a statute of stock companies. The commercial banks, from an organizational point of view, develop their activity in a way similar to private companies, being led and managed by the general stockholders meeting and by structures ensuring a current management, meaning the president, the vice-president, the management board, etc. Commercial banks have a horizontal organization, formed of departments, directions, services, offices, works compartments, etc. Banks also have a vertical organization, meaning territorial, composed of branches, county branches, agencies, representatives and works points.

In order to be able to face competition, Romanian commercial banks have this vertical organization. It is developed by the territorial bank central, in order to efficiently unfold current activities, with the compliance to the uniform and unitary procedures and bank work normative. Each of these organizational territorial bank structures have attributions, responsibilities and subordinations, that are well defined and delimited by the “mother” bank, meaning the Commercial Bank Central, being a juridical person.

The profound transformations which took place in the organization of the Romanian banking system in the transition period are based on the internal bank legislation, harmonized with the provisions of the community and the directives of the European Union in this area. Legal regulations also contributed to the consolidation of the Romanian banking system and its part in the economy.

The strengthening of the stability and the solidarity of the Romanian banking system was due to progress on the line of macro- stabilization, corroborated with the bank efforts for consolidating their position on the domestic market. The emergence of new foreign bank societies on the Romanian market led to the assignment of the banking system on a new corridor of performance, due to the intensification of competition and the increase of offer for new complex bank services and products for the clients.

The dimension of competition in the bank sector is also given by the large number of banks activating on the market. Therefore the componence of the banking system on property forms in the period 2000-2006 and the evolution of bank numbers at the end of the analyzed period are as follows:

Table 1

The structure of the banking system on forms of property number of banks

	2000	2001	2002	2003	2004	2005	2006
Banks, out of which:	33	33	31	30	32	33	31
banks with integral or majority state capital, out of which:	4	3	3	3	2	2	2
- with integral state capital	1	1	1	1	1	1	1
- with majority state capital	3	2	2	2	1	1	1
banks with a majority of private capital, out of which:	29	30	28	27	30	31	29
- with a majority of domestic capital	8	6	4	6	7	7	3
- with a majority of foreign capital	21	24	24	21	23	24	26
branches of foreign banks	8	8	8	8	7	6	7
Total banking system	41	41	39	38	39	39	38

Source: The Romanian National Bank - Annual Report, 2003 (p.87); 2005 (p. 36), 2006 (55).

The process of cleansing the bank sector and the entrance on the Romanian market of foreign banks led to a strong competition in the Romanian banking environment. As a consequence the market quotations held by domestic banks diminished in the favor of the foreign segment.

The evolution of market quotations for banks and branches of foreign banks in the period 2001-2006 is as follows:

Table 2 The bank market quotations (%)

	2001	2002	2003	2004	2005	2006
Banks with Romanian capital, out of which	44.8	43.6	41.8	37.9	37.8	11.4
- with a majority of state capital	41.8	40.4	37.5	6.9	6.0	5.5
- with a majority of private capital	3.0	3.2	4.3	31.0	31.8	5.9
Banks with a majority of foreign capital	47.3	49.0	50.5	53.6	54.7	82.9
I. Total commercial banks	92.1	92.6	92.3	91.5	92.5	94.2
II. Foreign banks branches	7.9	7.4	7.7	8.5	7.5	5.8
Total banking system (I+II)	100. 0	100. 0	100. 0	100. 0	100. 0	100.0

Source: The Romanian National Bank - Annual report, 2003 (p.84), 2005 (p. 35), 2006 (p.53).

At the end of 2005 from the point of view of the invested capital original country in foreign banks and bank branches on the Romanian banking market, the first three places were taken by Austria, Greece and Holland, followed by Italy, France, Hungary, USA, Great Britain, Germany, etc. All these foreign participations in the capital of credit institutions in România brought a new tendency in the activity of Romanian banks and its unprecedented development.

Also an important moment in the consolidation and strengthening of the competition in the Romanian banking system was the moment of the bank crash, marked by the introduction of the Law no. 83/1998 regarding the procedure for bank bankruptcy. Starting that date all the banks with negative capital or unable to make payments were eliminated from the system, after many years. From this point of view, we can consider that beginning with 2002-2003 the Romanian banking system operates according to the principles of a functional market economy.

The new dimensions of competition in Romanian banks take into account the following aspects:

- the re-dimensioning of the client segment (the market) depending on the bank policy and strategy, be it retail or corporate bank;
- the development and diversification of the bank product and service portfolio, that is offered to clients, be they traditional or sophisticated clients;
- the improvement of quality and structure within the portfolio of credits managed by commercial banks;
- the approach of a new strategy in relation to clients, respectively the personalization of relationships, insurance of counseling and consultancy services for clients, the knowing and inventory of client information, the approach of an effective communication with clients and the consolidation of their trust in the bank;
- the re-dimensioning of the importance of client satisfaction;
- the efficient organization of front-office activities and all bank activities which have to do with the clients;
- the development of an organizational culture that would come to the support of relational strategies with the clients, that are adequate for their specificity;
- the efficient management of bank risks and especially of the credit risk;
- the establishment of new priorities in bank management, taking into consideration that in
- the bank management of the 21st century a new relational strategy with clients was imposed;
- the organization of the entire bank activity on the profitability principle.

In the complex transformation process of the banking system in România in a European context, an important part is played by the regulation and innovation of bank management. Analyzing the report innovation- regulation in the Romanian bank management we think the accent must be placed on regulation. The plea for regulation is based upon the consideration that in the banking environment regulation is the one assuring financial- banking discipline and is statutory on correct client relations. Without clear and precise regulations the banks, which are considered the most disciplined financial entities in the economy, are not going to succeed in aligning to the requirements of the new Basel Accord II. The issue of innovation and regulation in the bank management shall win in time a well- deserved place in the culture and civilization of banks in the 21st century.

In order to face competition, banks activating on the Romanian market oriented themselves also towards the externalizing of some bank activities, which are situated under the profitability limit for the bank total.

Also, in order to deal with competition banks oriented towards the development of informatics systems. In the bank practice the vital importance of the informatics system is well- known, both for the quality and operationally of management decisions, and for the successful unfolding of bank operations. Without a performing informatics system banks can no longer face the very large volume of bank operations, for a more and more numerous bank clientele, which is diversified and exigent. Beside the large volume of bank operations which must be effected by the bank, there is also the issue of the speed with which these must be processed, making bank transfers in very short time or online. Generally informatics applications used in the Romanian banking system are based on the evaluation criteria established by the internal bank norms. This orientation of commercial banks is due to a great prudence and the strict respecting of their own internal norms, but also to the instability of the Romanian economic climate. In order to deal with competition, the Romanian banks developed performing computing systems.

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