

## CREDITING BY MEANS OF INTERMEDIARIES

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*In an economy which is facing more and more the consequences of the international financial crisis, one should find solutions to answer the population's credit demands first and foremost. Since the banks' crediting conditions have become harder, their clients started looking for alternative financing sources. The nonbanking financial institutions and credit brokers represent the players who have strategically positioned themselves to win a place on the market in this period. Even if the financing given by the IFN are more expensive than those in the banking system, in the present circumstances they could represent a breach for more and more persons searching for credits. According to the BNR statistics for the year 2008, the credits given by IFN have increased by 45% comparatively to 2007 and the percentage from the total amount of financing given to the population has increased from 13.6% in 2007 to 16% in 2008.*

*Keywords: intermediary, nonbanking financial institution, credit broker, credit at the client's domicile*

*JEL code: G21*

In a quasi-blocked financial market, only those with a perfect file or a greater advance can still hope to get a loan. But what possibilities of financing have those who want just a common credit for the immediate consumption?

Solving this problem could be represented by the appeal to nonbanking financial institutions (NFI), from the leasing companies to the popular banks. NFI represent the players who have strategically placed themselves to win a place on the market in this troubled period. Thus, even if in general the financing given by the NFI are more expensive than those from the banking system, in the present conditions they can represent a solution towards which more and more Romanians looking for credits may turn to.

The credit broker or the financial nonbanking institution is the person who ensures consulting for the establishment of the most advantageous crediting versions and intermediates the credit file, separately from the banking institutions existing in Romania. A credit broker cannot approve or reject a credit file, this decision usually belonging to the bank which proceeds to the analysis of the respective file.

Working with a credit broker has the advantage of offering the client the possibility to choose the best credit existing in the banks' offers.

The broker establishes partnerships with the banks on the basis of collaboration contracts. These partnerships are preferred by the banks due to the high amount of credits generated by means of the broker, but also due to the fact that the broker is the person who fills in the credit file entirely. Thus, the bank saves human resources and allocated time.

The bank pays a commission of contract intermediary for the services undertaken by a broker. Thus, the broker is an autonomous partner, an intermediary without an exclusivity contract with a certain bank.

**Credit Care** is a credit broker – an intermediary society for the consumption credits destined especially to natural person. On the account of the numerous partnerships with important banks in Romania, Credit Care ensures intermediary services to get credits at the best possible costs.

Credit Care facilitates the access to the credits for personal needs, construction credits and mortgage credits, car credits and ensures maximum visibility over all financing possibilities at the demand moment.

Credit Care offers free consulting and the intermediary of the credit file with no commission, thus saving a large sum of money.

Another credit broker is the firm **PROFI CREDIT Romania IFN S.A.** part of the financial group, Profireal Group which started its activity in the middle of 2007, Romania becoming the fifth country in which the group activates at the moment.

On 15<sup>th</sup> October 2007, Profi Credit IFN S.A. has been registered at the General Register of the National Bank of Romania, getting the right to effectuate crediting operations for personal needs.

Profi Credit mainly addresses those clients who prefer a personalized approach, whereas loans and credits are accessible through the network of credit counselors who can go to clients at home at any time and counsel them to get the best financing option.

Profi Credit S.A. is part of the multinational financing group Profireal Group which activates in five countries – The Czech Republic, Slovakia, Poland, Bulgaria and Romania. The development plans of the Profi Credit Division include launching in two other two countries: Ukraine and Russia.

The clients' advantages in their relationship with Profi Credit Romania refer to:

- accessible loans and credits offered to all those who have a permanent and verifiable income;
- accessible loans and credits with sums ranging between 900 RON and 15,000 RON, nominal value, for periods between 6 and 36 months;
- the way the received sum is going to be used needs no justification;
- simplified documentation;
- free services and consulting offered by the credit counselors at the place and time established by the client;
- collection of no taxes to look through the file.

The main activity of Profireal Group is represented by the offer of loans and credits through the Profi Credit division. In 2007, the companies of the Profi Group division offered credits and loans of 136 million worth to more than 75,000 clients.

**Provident Financial Romania** started its activity in April 2006 through a pilot operation in Bucharest after marketing research which has lasted for more than two years. At present, the company has over 3000 employees and over 1,000 independent representatives. In the more than two years of activity on the Romanian market, over 50,000 clients have resorted to its services, the value of the loans issued by the company surpassing 12 million Euros.

Provident Financial Romania is part of the British group called International Personal Finance (IPF), international leader in the delivery of consumption credits at the client's domicile. IPF is included in the FTSE 250 index of the London stock exchange and has around 2 million clients and over 5,000 employees who work together with approximately 30,000 representatives in seven countries on two continents.

Provident Financial Romania is a nonbanking financial institution registered at the General Register of the National Bank of Romania and specialized in giving short term low loans directly at the clients' domicile.

The model was first tested on the British market and more than 10 years ago they started exporting it on other markets, mainly in Central and Eastern Europe. Choosing trails known for so long and a business model relatively simple and standardized on all markets where they are present, the British do not seem to fear too much the effects the financial crisis has upon them.

For Provident Financial, the bankers' reticence to largely provide financing for consumption is an unexpected advantage which comes to complete the expansion plans already traced at a crossing point for the company.

From its launching until the end of 2007, the business in Romania functioned as a pilot project, a phase in which the expanding investments are reduced.

For Provident, testing the market through a pilot project is a standard procedure for any new market on which it is launched. For example, there is the case of Russia where IPF bought a small bank and where the operation is in an incipient phase. The same happened in Poland (the first market they were launched on), in the Czech Republic (1997), Hungary (2001), Slovakia (2001), Mexico (2003).

Returning to the Romanian market, what do the British have to offer and what expectations do they have so that, after the first ten years of activity, they managed to raise in their portfolio half a million clients, the equivalent of a bank of smaller dimensions. The offer is essentially as simple as possible: the company supplies consumption credits at the client's domicile, with values ranging between 400 and 2,000 lei on a period of maximum 39 weeks in the case of the clients with whom they have a first collaboration and of maximum 3,000 lei for 52 weeks at most, in the case of those who already have a history.

The total cost for the loan is established through a very transparent credit contract. Thus, from the beginning the client knows which the total cost is and how he is supposed to refund the loan. There are no hidden commissions or taxes for not paying on term and the owed sum cannot increase. As a consequence, the clients have the certainty that the loaned sum of money will not get out of control if they are faced with unexpected difficulties on paying their installments.

Since the PROVIDENT representative meets his client weekly, he will be able to offer him flexible solutions for any of his financial difficulties by simply spreading out payments again. He does this with no additional costs, this being one of the motives why the loan at the client's domicile is so appreciated by the PROVIDENT customers.

The short term strategy of the group is based on three important components:

- the first refers to the maximization of the profit obtained on the mature Central European markets, such as Poland, The Czech Republic, Slovakia and Hungary. The immediate objective for these four markets is getting a raw profit of at least 95 million pounds until 2010;
- the second component refers to the passage to profit of the local divisions in Mexico and Romania and then the optimization of businesses in these countries. The group is expecting the activity in Mexico to become profitable starting with 2009, and that in Romania, from 2010;
- IPF intends to expand this successful business model on new and much bigger emergent markets. In this respect, IPF undertakes market research in India and Ukraine, and the initial results show that both countries have a huge potential. The group will launch a pilot operation in one of these countries until the middle of 2009 the latest.

Taking all these aspects into consideration, one could mention the fact that the sector of the nonbanking financial institutions is very dynamic, the specialists asserting that from the point of view of the administrated actives, IFN represents "something equivalent to the third bank in the system". More precisely, the percentage of the IFN actives is 10% of the total actives of the banking system and represents about 6.5% in comparison with the only 2.2% five years ago.

Undoubtedly, these financing channels cannot even by far compensate the effervescence with which the Romanian clients have become accustomed in the latest years. Nevertheless, these alternative financing sources will become more important in the following periods.

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