

THE CREDIT OUTLOOK FROM THE BCR AND BT PERSPECTIVE BETWEEN 2010-2017

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Abstract

By associating with banking globalization, economic barriers have become collective due to the intensification of such diverse links. The banking system has supported access to the money markets as well as technological progress. Thus, the competition was also observed in the banking sector, as evidenced by the recommendations of the credit institutions, the diversity of products and services, but also by the claims and wishes of the clients, both legal and physical persons.

Banking associations in Romania are part of the group of commercial banks of general level that perform a variety of banking operations that mediate throughout the country. Given the desire to develop of the banks, they seek to evolve through the establishment of new branches throughout the country.

In this way, the article aims to analyze the evolution on the line of credit from the perspective of the first two players in the Romanian banking market, according to the market share of BCR and BT.

Keywords: banking system, competition, credits

JEL Codes: E51, G21

1. Introduction

The present gives us a globalized community with a wealth of opportunities of an economic nature, representing the favorable environment for conducting free trade. As far as the financial system is concerned, banking authorities are key elements both in terms of the good functioning of economic institutions and of the entire economic system. Thus, over time there has been a continuing concern for the creation of an operational banking system adequate to provide a multitude of products and services that are in line with customer requirements from the very beginning of banking and up to at the moment.

The topic of the article is up-to-date, being consistent with the more suggestive realities of the last two decades, as well as regarding the possibility of explaining the importance of the factors and processes that supported the innovation process in the Romanian banking market.

Competition is generally present in any community under all social agreements. The notion of "competition" indicates several concepts, but the defining field in which

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competition is the main one is the economic one. The development of economic activity is dependent on the presence of real and indiscriminate competition between competitors.

2. Literature review

The profitability of the banking system has been constantly analyzed by the literature. Important studies were conducted by: Sufian F. (2009), Hoffman P.S. (2011), Davydenko A. (2011), Trujillo-Ponce, A., (2013), Rachdi H. (2013). Typically, the determinants of a bank's profitability are analyzed by three types of factors, namely: specific bank factors, bank structure factors and macroeconomic factors. The earliest named factors and internal factors relate to the system and asset value, capital relevance, bank size, yield, and property structure.

The factors characteristic of the banking system and macroeconomic factors, also referred to as external factors, refer to: the tax rate, GDP growth, inflation rate and stock market capitalization.

Another study is conducted by Dietrich A., and Wanzenried, G., (2010) that analyzed Swiss banks between 1999 and 2008, noting that well-capitalized banks are more profitable. Similarly, if the amount of credit a bank grows faster than the market, the impact on the bank's profitability is positive. We will continue to analyze the two major players of the BCR and BT banking market from the point of view of crediting in 2010-2017.

3. The main aspects of the credit operation

The lending operation is a major activity of all institutions operating on the Romanian banking market. For this purpose, credits are attributed to individuals or legal entities in accordance with various regulations or internal lending provisions set by commercial banks under the control of the National Bank of Romania.

BCR (Romanian Commercial Bank) was established in 1990 by taking over the commercial activities of the National Bank of Romania and merged in 1999 with absorption with Bancorex. 2003 is an important year because BCR privatization takes place by the transfer of the shares to the EBRD and IFC, and in 2006 the acquisition of the Romanian Commercial Bank by the Austrian Bank Erste Bank takes place. It bought 61.88% of BCR shares from the Romanian Government.

Analyzing the indicators of BCR's activity, it managed to increase its total assets by 8.4% in 2010, reaching a market share of 19.8%, which led to the consolidation of market leadership by assets. Also in 2010, the level of lending shows a good evolution on the background of a low eligible demand.

Thus, BCR has slightly increased its market share in lending, reaching 22.2% at the end of the year, which overall led to a 1.2 percentage point increase in market share. As regards the amount of loans in RON in the portfolio of BCR it was 39.3% of the total loans and the weight of credits in foreign currency (with the main EUR currency, 58% of the total portfolio).

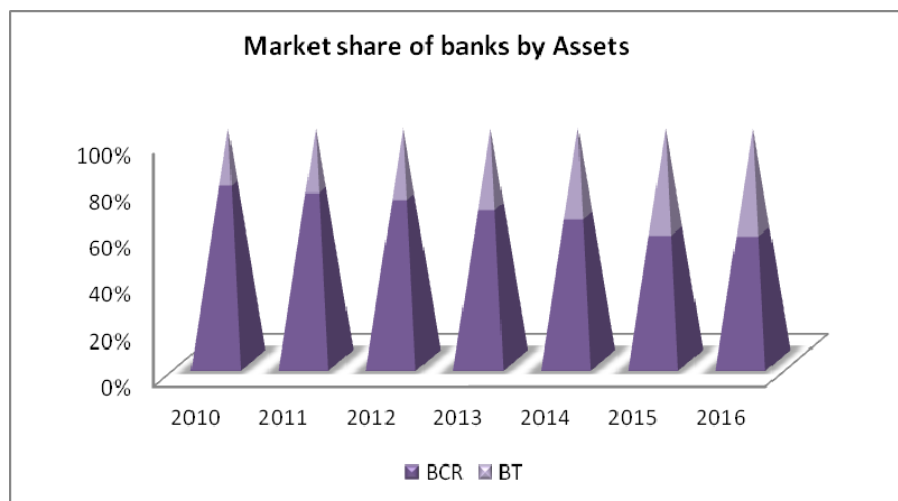
In 2011, from the perspective of the total assets of BCR, a gradual evolution of 4.3% was observed. The loan portfolio to customers increased by 2.2% in the case of a still modest eligible credit application. Thus, BCR has maintained its market leadership in

the lending sector with a market share of 22%. He can also be considered the leader in the "First Home" lending program, earning a market share of over 50% by supporting 8,800 families to buy their first home.

For 2012, BCR retained its position as market leader holding 19.3% of the market share of the assets, although there was a decrease in total assets as compared to the previous year. The aggregate volume of customer loans decreased by 0.2% due to the low demand of that period.

The year 2013 comes with a further decrease of 12.2% in terms of the aggregate volume of loans to customers. For this reason, the bank has proposed to pay more attention to RON lending so as to substitute the currency mix in the portfolio of long-term and medium-term loans and take advantage of the high potential for self-financing in RON. Although this year saw a 8.9% reduction in total asset value, the bank maintained its market leadership position.

The success of 2014 was the tripling of new mortgage loans and a 61% increase in consumer loans, as BCR has successfully completed a project to improve its branch network with the goal of increasing the quality of its services customers.



Source: BNR, Annual Report, 2016

The next year 2015 comes with other achievements for the Romanian Commercial Bank, namely the significant increase in the volume of new loans due to the first house loans, which increased by 29% compared to the previous year, but also the loans for personal needs, increased by 7% annually.

Compared with the previous year, 2016 brought new rewards for the Romanian Commercial Bank, as it managed to increase the volume of new loans, increase net profit, and last but not least, to keep its first bank status by market share.

Starting from these aspects, it can be noticed that BCR has developed a strategy of customer focus and business with them, and secondly they have invested in their own infrastructure to provide more flexible, reliable and affordable services. The main actions to achieve the strategy aim to encourage local and international capital, stimulate the stimulation of Romania's intellectual and entrepreneurial potential.

The year 2017 also brought numerous certifications for BCR: over 10,000 families decided to buy a house through the bank, opting either for the "Prima Casa" program or the BCR "Casa Mea" standard mortgage loan, the latter registering in the fourth quarter, a 77% increase in sales over the same period last year.

The second bank analyzed is Banca Transilvania, which was established in Cluj-Napoca in 1994 following some steps initiated by some businessmen from Cluj to form a local brand. The entrepreneurial spirit of the promoters led to the consolidation of the Bank's position, initially in Cluj, and then at regional and national level.

The Bank had as its first activity the SME sector and, thanks to market demands, started to pay attention also to the retail sector. Banca Transilvania was also the first banking institution in Romania, which was listed on the Bucharest Stock Exchange in 1997.

For 2010, Banca Transilvania had a market share of 6.31% and maintained its willingness to support customers to overcome the difficult economic climate by introducing new products into the Anti-Crisis Program, such as Credit Plan B - a loan refinancing of loans contracted to other banks.

As far as the bank's loan portfolio is 10% higher than in 2009, the balance of credits to individuals and companies increased by only 4.7%, the growth being mainly supported by the increase by 9.8% of foreign currency loans.

Year 2011 saw an increase of 0.96% on net assets, which reached the third position with a market share of 7.31%. The credit portfolio has increased regularly to 15% higher than the previous year and 2% above its value. In the following year, Banca Transilvania retained its third position in the asset ranking, reaching a market share of 8.08%, and the loan portfolio increased by 12% compared to 2011. Banca Transilvania and continued to grow in 2013, with market share reaching 8.9%. The year 2014 brought positive changes in the bank's evolution on the line of assets, reaching a market share of 12.4% in the retail sector, with the bank managing to allocate some 22,000 new loans.

As far as the year 2015 for Banca Transilvania is concerned, it can be considered a year of growth when it registered a growth of more than 10% in the lending activity and over 19% on the attraction of deposits. Thus, the bank has excellent financial statements this year with a market share of 12.6%, to which can be added the positive impact of the merger with Volksbank Romania. "

For 2017 it can be seen that Banca Transilvania maintains its positive focus on efficiency and plans for the digital banking area. Thus total assets increased by about 15%, the balance of total loans by 10%, and 190,000 thousand new credits were granted this year.

4. Conclusions

It can be noticed that the Romanian Commercial Bank maintains its market leadership in both the volume of credits granted and the total assets. If in 2010 the

difference in the total volume of assets between Banca Comercială Română și Banca Transilvania was 13.6%, we would reach 2013 where the gap would be only less than 8.6%, so that in 2016 it would be 3 13%. It is worth mentioning Banca Transilvania that exceeds the BRD in 2016.

In conclusion, it can be said that increasing competitiveness in the banking system leads to a permanent effort to adapt, preserve and strengthen the position on the market. The consistency and efficiency of these endeavors can only be achieved by reorganizing the business model through cost-effective management, but also by providing new client-oriented banking products and services.

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