THE EVOLUTION OF NON-BANKING FINANCIAL SERVICES IN ROMANIA WITHIN THE CONTEXT OF ECONOMIC RELAUNCHING

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Abstract
In any stage of the evolution of an economy, but especially in a period of economic recovery funding needs may become a priority both for enterprises and for the population, which can be satisfied through institutions providing non-banking financial services. In case if companies cannot achieve an additional capital from shareholders, the need for funding can be achieved only through financial intermediation services and implicitly through the services that we treat in this paper.

Lately non-banking financial services have witnessed an interesting evolution, which led us to realize an analysis of their dynamics in Romania in the period 2008-2013, for which we have used the studies of literature and statistical data provided by the National Institute of Statistics and the National Bank of Romania. In the year 2013 Romania recorded notable performances of the economy resulting in the decrease in inflation rate, improving the fiscal consolidation, adjustment of the current account deficit, which could influence the category of services we consider for discussion.

Key words: non-banking, financial, services, evolution, Romania
JEL Classification: E44, G23

Introduction
About this subject have written domain specialists and we find ideas according to which the institutions that provide non-banking financial services, with alternative sources of capital, tend to dominate the coverage of traditional banks (Gaftoniuc, S, 2009).

Non-banking financial institutions are considered a "shadow banking" system (Nouriel Roubini) "The shadow banking system"

Non-banking Financial Institutions-entities, other than credit institutions, which are engaged in the lending business on a professional basis, under conditions set by law. The main operation of these entities is the business of lending, which in turn requires the establishment of exposure to registered debtors. (Medar, 2010)

Non-banking financial institutions sector in Romania was developed as a competitive alternative to conventional banking financing. The share of non-banking financial institutions within the financial system in Romania has been growing steadily. Growth of more than 10 times the volume of financing in the period 1998-2004 was correlated with increased incomes of population, as well as an effect of economic growth and alignment to European standards. (Dardac, Chiriac, 2010)

Although many NFIs are recorded in the registers of the National Bank of Romania in the category of multiple lending activities, most of which operate in financial leasing. A very high proportion of the total activities of NFIs is held by financial leasing. The financial crisis has hit hard NFI sector and fall of financing in leasing was catastrophic, nearly 74% between September 2008 and September 2009.

The activity of NFIs has decreased slightly from January 2012 - June 2013. The activity of NFIs has slightly decreased during the period January 2012 - June 2013 (NBR 2013)

We regard the financial system as consisting, in addition to the financial markets, in banking and non-banking financial sector (insurance, pension funds, NFIs). Non-banking credit financial institutions or non-banking are supervised and regulated by the state body - the National Commission of Financial Market (NCFM). (V Popa Popa, 2013)

According to Law No. 23/2009 the lending activity is conducted professionally by credit institutions and financial institutions as well as by non-banking financial institutions."

Thus NFIs are also lending institutions such banks, specifying that they do not become deposits of the population. Also in this law are stipulated activities that can be conducted in a non-banking financial institution, namely:

a. granting of credits (consumer, mortgage, real estate, microcredit financing commercial transactions, factoring, discounting, forfeiting);

b. financial leasing;

c. the issuance of guarantees, assuming guarantee commitments, assuming funding commitments;

d. granting of credits in exchange of goods as collateral, ie pawning through pawnshops;
e. granting of credits to members of non-profit associations without patrimonial reasons organized by free consent of employees / retirees in order to support their members through financial loans of the members by these entities organized under the legal form of credit unions;
f. other forms of financing like lending.

What is different from the financial institution activity is that NFIs cannot legally attract deposits from the public.

**Specificity of banking financial services**

Elements of specificity of non-banking financial services consist primarily in characteristics which apply to all categories of commercial services, namely intangibility, inseparability, heterogeneity, perishability and nondurability.

Intangibility is the characteristic which gives them inability to characterize by using physical, chemical and organoleptic parameters until consumption. Tangible aspects give us the price (the interest and the corresponding fees), information obtained from acquaintances who have used such services or advertising elements and ambiance offered by space where such services are rendered.

Inseparability implies the impossibility of separation in time and space of consumer by provider, for the consumption of such services being created a dependency relationship imposed by the contract signed in order to use non-banking financial services and products.

Heterogeneity of non-banking financial services is given primarily by typological multitude of services that can be offered through NFIs but also by the multitude of institutions that provide services both to natural persons unique in their own way but also to many legal persons with their own field and needs and characteristics that confer specificity to the consumed services.

- Perishability is the feature that gives non-banking financial services impossibility of storage to be used when there is demand. A non-banking financial service unsold today because there is no demand can not be sold tomorrow when demand doubles but we do not have sufficient financial and human resources to meet it. This characteristic with intangibility transfers to nondurability another feature of services that provides inability to approach ie impossibility of transfer of ownership right to use the service, after consumption of a financial service resulting contracts and receipts that ensured the payment of installments, interests and fees.

- An accepted feature is given by the following characteristic features of non-banking financial services that set them apart from banking services, namely:
  - the need to inform consumers about the type of institution operating non-banking financial activities and adding to its name the term "non-banking financial institution" or its abbreviation, IFN,
  - appointment only of persons that meet the criteria required by the NBR and regulated by law in the management of NFIs. Thus, the "managers of NFIs must have appropriate reputation and experience to perform the assigned duties according to criteria established by the National Bank of Romania".
  - activity of NFIs involves editing internal lending rules detailing aspects relating to the criteria and conditions for granting credit and regarding the creditworthiness of the beneficiary.

**The evolution of non-banking financial services**

According to the data provided by the NBR, non-banking financial institutions in our country are shown in the register according to their lending activities. Thus we have:

**Table No 1 Number of non-banking financial service units**

<table>
<thead>
<tr>
<th>Section</th>
<th>Type of activity</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Entities engaged in lending representing &quot;Granting of credits, including but not limited to: consumer credit, mortgage loans, real estate loans, microcredits, financing commercial transactions, factoring, discounting, forfeiting&quot;</td>
<td>48</td>
</tr>
<tr>
<td>2</td>
<td>Entities performing loans representing &quot;Financial leasing&quot;</td>
<td>300</td>
</tr>
<tr>
<td>3</td>
<td>Entities performing loans representing &quot;Issuance of guarantees and assuming commitments, including credit guarantee&quot;</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Entities engaged in lending representing &quot;Credits with receipt of goods for safekeeping, ie pledging through pawnshops&quot;</td>
<td>1318</td>
</tr>
<tr>
<td>5</td>
<td>Entities engaged in lending representing &quot;Credits to members of non-profit associations without patrimonial purpose organized on basis of free consent of the employees / retirees to support their members through financial loans or credit unions&quot;</td>
<td>3411</td>
</tr>
<tr>
<td>6</td>
<td>Entities engaged in lending representing &quot;Other forms of financing like lending&quot;</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Entities engaged in lending representing &quot;Granting credits by non-profit legal persons of public funds or made available under intergovernmental agreements with refundable / non-refundable character&quot;</td>
<td>9</td>
</tr>
</tbody>
</table>
According to the data provided by the National Bank of Romania the number of these units underwent further changes, in 2014 running 2843 Credit unions as compared to 3411 in 2006, 2802 pawnshops in 2014 to 1318 in 2006 and 7 non-profit legal persons in 2014 compared to 2 in 2006. We note that the best performance was that of pawnshops which is known that in periods of crisis are developing with a tendency supported by the population of capitalizing valuables by the services provided by such units.

Table 2. Evolution of non-banking financial units According to the Register

<table>
<thead>
<tr>
<th>Register of evidence</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-banking financial units</td>
<td>4514</td>
<td>5043</td>
<td>5289</td>
<td>4420</td>
<td>5642</td>
</tr>
</tbody>
</table>

Source: Report on financial stability BNR 2010-2013

In subsequent years the evolution of non-banking financial institutions has been an interesting one, being presented data over a sufficiently large period to give us a clear picture of the evolution of these units and thus the services offered.

Table No. 3 Distribution of Non-banking financial institutions according to types of activity in 2008-2013

<table>
<thead>
<tr>
<th>Title of the activities</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple lending activities</td>
<td>127</td>
<td>53.56</td>
<td>135</td>
<td>59.21</td>
<td>136</td>
<td>64.69</td>
</tr>
<tr>
<td>Financial Leasing</td>
<td>88</td>
<td>36.37</td>
<td>74</td>
<td>32.45</td>
<td>57</td>
<td>27.14</td>
</tr>
<tr>
<td>Issuance of guarantees and assuming commitments</td>
<td>8</td>
<td>3.36</td>
<td>6</td>
<td>2.63</td>
<td>6</td>
<td>2.85</td>
</tr>
<tr>
<td>Microcredits</td>
<td>6</td>
<td>2.52</td>
<td>5</td>
<td>2.19</td>
<td>4</td>
<td>2.38</td>
</tr>
<tr>
<td>Consumer Credits</td>
<td>6</td>
<td>2.52</td>
<td>1</td>
<td>0.43</td>
<td>4</td>
<td>1.90</td>
</tr>
<tr>
<td>Mortgage Credits</td>
<td>1</td>
<td>0.42</td>
<td>1</td>
<td>0.43</td>
<td>1</td>
<td>0.48</td>
</tr>
<tr>
<td>Finanving commercial transactions</td>
<td>1</td>
<td>0.42</td>
<td>1</td>
<td>0.43</td>
<td>1</td>
<td>0.48</td>
</tr>
<tr>
<td>Factoring</td>
<td>1</td>
<td>0.42</td>
<td>1</td>
<td>0.43</td>
<td>1</td>
<td>0.48</td>
</tr>
<tr>
<td>Discounting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forfeiting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other forms of financing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Total (general register) | 238  | 100  | 228  | 100  | 210  | 100  | 203  | 100  | 187  | 100  | 173  | 100  |

Source: Annual Report BNR 2008-2013

From the centralized data in the table above we see that in 2008, like in 2007, most of NFIs were entered in multiple lending activities (53.36 percent) and financial leasing (36.97 percent). For two sections of the General Register (discount, forfeiting, other forms of financing like lending) was not recorded any non-banking financial institution, aspect found along the entire period analyzed. In the following year, namely 2009, 228 non/banking financial institutions were registered with the General Register, 10 less compared to 2008, as a result of the inclusion of 10 new institutions, along with deletion of other 20 institutions. Of these, 14 were removed on request as a result of shareholders’ decision to cease lending activity specific to NFI sector. General Register decreased from 228 to 210 situation that denotes the continuation of consolidation process and concentration of firms in this sector. The downward trend in the total number continued until 2013 when it registered 173 institutions with 14 units less than in 2012, evolution favoured by cancellation of 19 institutions and registration of 5 other new institutions.

The most active in the activities performed by these units are those offering various crediting with shares ranging from 53% in 2008 to 73% in 2013 and followed by those offering financial leasing services, units which have dropped significantly in numbers from 88 in 2008 to 33 in 2013, and the percentage from 36% to 19% at the end of the analyzed period.

The financial and economic crisis has led to adjustment processes in these cases too: on the one hand, dramatically slowed the lending activity and the phenomenon of disintermediation became manifest, and on the other hand, prices of real estate assets recorded significant corrections.

Table no. 4. Evolution of credits in lei and euro granted to population’s households - thousands

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-banking financial institutions</td>
<td>238</td>
<td>100</td>
<td>228</td>
<td>100</td>
<td>210</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: www.bnr.ro/Registrele-BNR-717, OG_28_2006_list%20 (2)
If we analyze the data presented in Table 4, we see that in the total structure of loans to population changes have occurred regarding the share of loans in lei, these decreasing in value of 410,349.4 thousand lei in 2008-2012. It also can be seen, along with the decrease in the volume of loans, an increase in the share of loans in lei, due to the economic depression that affected the exchange rate and macroeconomic stability. This is evidenced easier by using the following table, which shows the development of lending to households in euro:

The amount by which lending to households in euro in the period 2008-2012 decreased is 2120,333.8 thousand lei. It can be seen from the data presented that the amount of credit in euro in the period under review was reduced to half of the year 2008 due to the economic crisis, and to the effect of unbalancing the foreign currency market which recorded oscillations in the analyzed period. Although the whole range is characterized by a downward trend of loans, the strongest depreciation is recorded in 2008-2009.

Unlike foreign currency loans to population’s households, which recorded volume growth in loans in another currency to non-financial corporations the characteristic feature of the entire analyzed period is decreasing, the value of the difference recorded between 2008 and 2013 being 57188.9 thousand lei. A representation of the evolution of loans granted to non-financial corporations is shown in Figure 1:

![Figure no.1. Evolution of credits granted to non-financial companies](source)

As defined legally, a microcredit is a "loan with or without interest, repayable, granted upon request, with a nominal value of up to 10,000 euros, paid in lei at the rate of the National Bank of Romania on the day preceding the issuance of amounts, with a repayment period up to 36 months, with or without grace period for purchase of capital goods, raw materials, materials, energy, fuel and other services needed for the project to develop a commercial activity for which it was authorized ". This definition was necessary to understand the representation of the evolution of microcrediting as shown in Fig. 2.
From the data presented we observe a decrease in microcrediting in 2010-2012, while in 2013 it increased by 18476.2 thousand lei of microcredit value.

From the data presented in Figure 4 we can see that the value of financial leasing lending has recorded a steady decline in 2008-2013, and the value of this decrease of credit is 7,842,099.5 thousand lei, the value recorded in 2013 being of only a fifth of the financial leasing loans recorded in 2008.

Throughout the period under review we notice an increasing trend in the value of loans for the purpose of issuing guarantees, the difference in value recorded between 2008 and 2013 being 1,903,500 lei.

The most important share in lending is held by loans to non-financial corporations. In order to explain this it is sufficient to note that these loans have 72.26% of total loans for 2013. The sectoral composition of loans granted by NFIs is shown for 2011 in the figure below:

**Fig no 4 The sectoral composition in 2011**

NFIs provide financing mainly to non-financial companies, which account for a share of about 75% of the total. Regarding the concentration of financing granted by economic sectors (30 June 2011), it can be seen that exposure to service companies occupies first place with a share of 51%, according to the diagram below.

Conclusions

From the above expounded in this paper we conclude that non-banking financial services have experienced an interesting evolution from several points of view. The extreme diversity of financial services but also of institutions that provide such services namely NFIs allows a differentiated approach depending on the recording mode either in the register or in the general register presented by National Bank of Romania.
If we discuss the general register we would note that this category of services have declined but we cannot say the same thing about the number of units in the register namely pawnshops and Credit Unions that have experienced an increasing trend at least numerically given the reduced possibilities of the population to have cash who thus resort to obtaining loans from credit unions or capitalization of their goods in the pawnshops.

Regarding the lending activity of NFIs according to sectors we clearly distinguish the services sector with 51% and the industrial one with 16%.

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