

## **PAYMENT INCIDENTS CENTRAL – MONITORING INSTRUMENT FOR THE FINANCIAL STABILITY OF COMPANIES**

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### **Abstract:**

*The company, as economic organization, functions in an environment that it directly influences and that in turn influences its activity by complex and heterogeneous combination of factors. The companies do not represent a final outcome, but a mean through which the factors of production, with the help of certain technologies, satisfy (especially) the clients' needs and indirectly of the external environment in which they activate and develop. A strong influence over the company's activities' results is represented by the external environment in which it activates, its physiology and working mechanism and the company's ability to harness the opportunities and avoid dangers supplied by the environment, by synchronizing its actions with the changes within the environment. Therefore it is necessary to know the environment's content and requirements, as well as the quantitative and qualitative changes, even anticipating the future evolution of the environment, so that the company can adapt to its new structure. Knowing the characteristics and mutations occurred in the external environment's structure, is a fundamental condition for the quantitative and qualitative satisfaction of certain category of needs by the company, necessities that are continuously growing and diversifying, that are the base of conducting new realistic strategies, well based scientifically.*

**Keywords:** *Payment incidents central, insolvency, major incident, difficulty, financial crisis, payment incident.*

**JEL classification:** *E63, M41, M49*

### **1. Introduction**

According to the No. 1 Rule from the 9th of Jan 2012, published in the Official Gazette, Part I 49 20.Jan.2012, regarding the organization and functioning at the Romanian National Bank of the Payment Incidents Central, the latter manages the information specific for the payment incidents, for the public interest, including the users' specific purposes. In this Rule, the payment incident is defined as failure to strictly and timely fulfil the obligations of the account holders during the process of settlement of the payment instrument, obligations resulted by the effect of the law, whose fulfilment is acknowledged in CIP by the reporting entities. The payment incident may have a double dimension: on one side can represent a proof of bad will for closing a commercial act and on the other side may represent the impossibility of the account holder to fulfil its' obligations at maturity. In such context, the incertitude and risk grade regarding the economic activity will increase, frequently creating panic among the managers whose administration strategies become increasingly defensive. The essential problem is represented by the impossibility to identify exogenous and endogenous factors that influence the behaviour of the late payers companies, but also the possibility to analyse the payment incident situation that by correlations between volume and numbers may characterise the stability of economic players within a national economy.

### **2. Payment Incidents Central – monitoring instrument for the financial stability of companies**

The manifestation of the economic and financial crisis in Romania, starting with the year 2008, led to an increase of 211,91% of the payment incidents' value and of 216,8% of the number of payment refusals. In 2010, the increase rate of the value and number of payment refusals situated under 7%. The number of holders that generated payment incidents grew in 2009 compared to 2008 with 112%, but in 2010 decreased to 49,24% of the value registered in 2009.

Tabel no.1: Evolution of number and amounts refused payment

	Total amounts refused at payment with debit instruments	Total number payment refusals with debit instruments	Total amounts refused at payment with debit instruments – major incidents	Total number payment refusals with debit instruments - major incidents	Total number account holders that generated payment incidents
	(thousand lei)	(number)	(thousand lei)	(number)	(number)
Total 2014	7 938 952.9	4 342 971.9	79 468.0	37 109.0	288.0
Total 2013	9 518 873.6	6 131 866.3	107 510.0	50 712.0	453.0
Total 2012	8 631 790.0	5 210 925.6	130 039.0	59 901.0	652.0
Total 2011	6 344 536.7	5 460 111.2	206 788.0	81 300.0	2 293.0
Total 2010	9 573 134.6	8 475 386.8	302 912.0	123 406.0	3 607.0
Total 2009	9 422 113.7	7 958 745.4	403 865.0	152 440.0	7 325.0
Total 2008	4 446 188.1	3 670 925.0	231 668.0	90 804.0	6 528.0

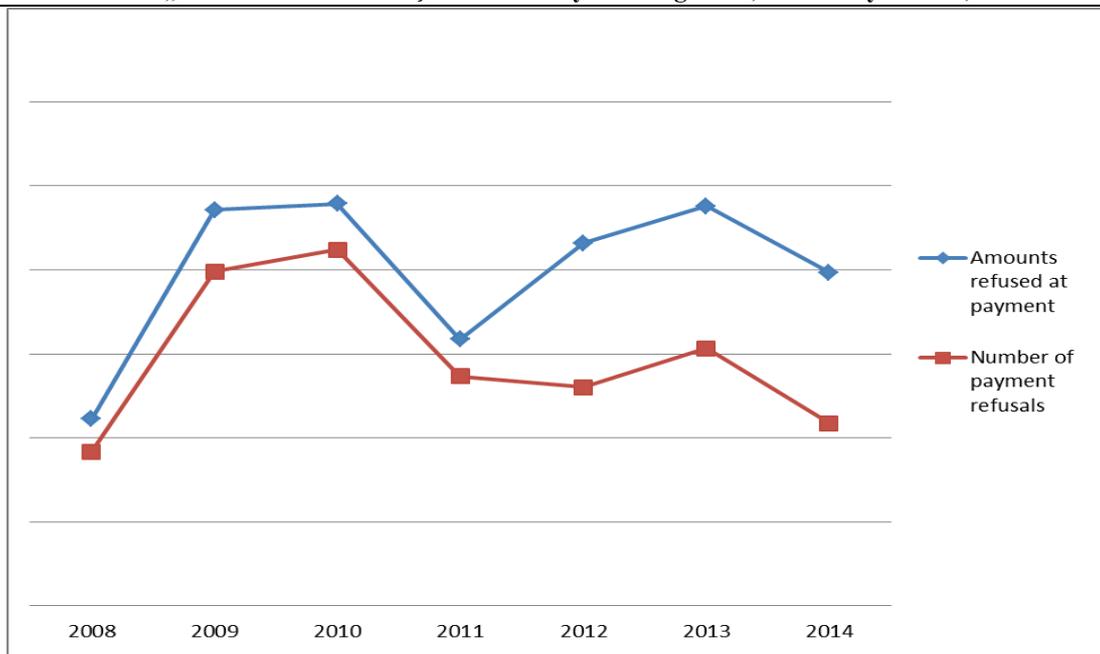
Source: Statistical data BNR – CIP

The explanation for this evolution is given by the fact the whole economy has been affected by the economic and financial crisis (affirmation based on the increase of amount refused at payment and number of refusals regardless of minor or major events). After the shock felt in 2009, the managers were more careful with the business partners, thus in 2010, the number of account holders that generated payment incidents was half to the one in 2009, although the minor payment incidents' value remained at a similar value as the year before and the major payment incidents' value decreased to a value representing 75% of the one in 2009. This aspect is explained by the fact that the shock registered in the economy did not have a punctual and limited aspect in time, but in chain, thus some companies were further affected and they created financial difficulties for other partners.

The number of account holders that generated payment incidents registers a downtrend (excepting 2009, due to the shock supplied by the economic and financial crisis), which shows the safety characters of managers regarding the commercial partners, thus the registered value in 2014 represents 4,41% of the value registered in 2008. However, the payment incidents' value registers a value with 178,56% higher than in 2008. This situation is due to the fact that even if the safety character led to the decrease of the account holders' number, the business partners that even if they managed to finance their activity a long period of time, because of the delay of the relaunching the economy from the consumption point of view, they encountered financial problems that led to payment incidents.

From the point of view of the trend registered by the evolution of the payment refusals' amounts and the number of incidents, the situation is presented as in the following graphic.

Graphic no. 1: The evolution of the amounts and numbers of the payment refusals

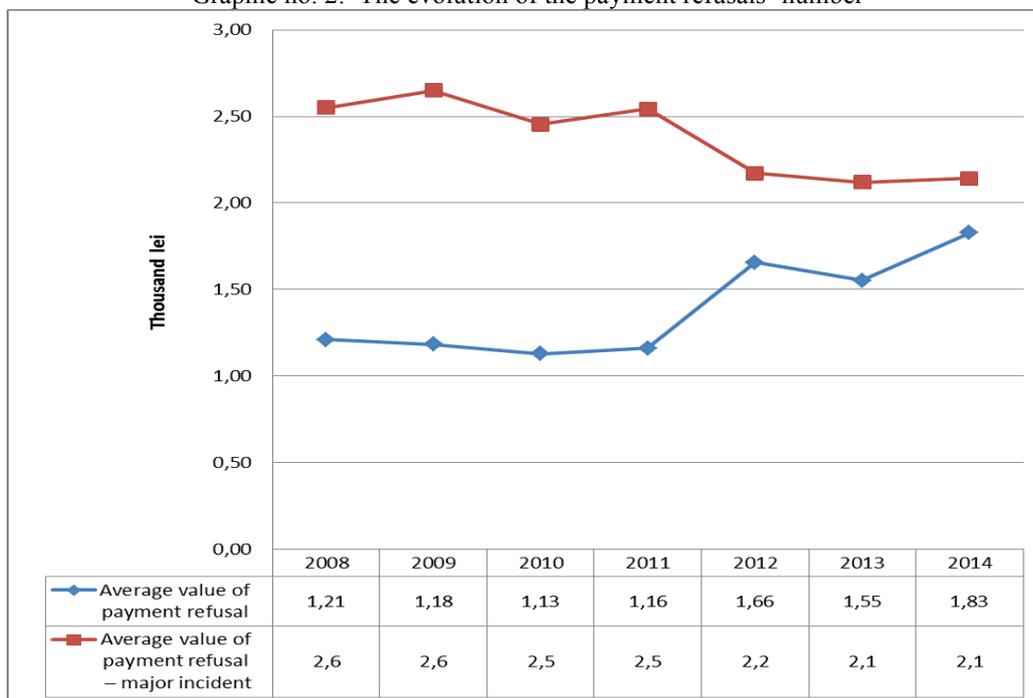


Source: Statistical data BNR – CIP

Both the payment refusals and their numbers registered similar curves in the period 2008-2011. In 2012, while the number of payment refusals registered an easy decrease (of 4,6%), the amounts refused at payment grew (with 36%).

The evolution of the average value of payment refusal, in the period 2008-2014 is presented in the following graphic:

Graphic no. 2: The evolution of the payment refusals' number



Source: Statistical data BNR – CIP

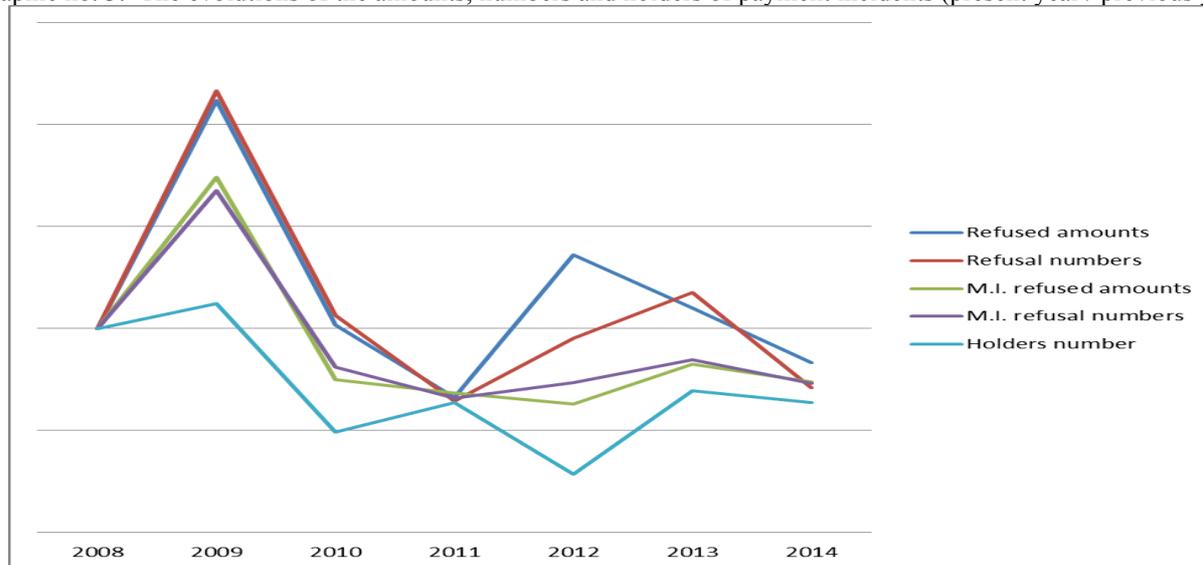
The evolution of the average value of the payment refusal for minor and major incidents occurred on curves that represented each other's reflection as follows:

- The average value of payment refusal for minor incidents registers and upward trend.
- The average value of payment refusal for major incidents registers a downtrend.
- In the period 2008-2011, the average values of payment refusals had an evolution under 0,1 thousand lei compared to the reference year 2008.

- The average value of the minor payment refusal in 2014 is with 0,62 thousand lei higher than in 2008, while the average value of the major payment refusal decreased since 2008 with 0,5 thousand lei.

The evolutions of the amounts, numbers and account holders of minor and major payment incidents calculated as percentage between the present year's value and the previous year are presented according to the following graphic:

Graphic no. 3: The evolutions of the amounts, numbers and holders of payment incidents (present year / previous year)



Source: Statistical data BNR – CIP

According to the previous graphic, the evolution of account holders registered an upward trend (except the year 2009 due to the impact of the economic and financial crisis) by the fact that the evolution indicator is below one. The amounts refused at payment and the minor incidents number had similar evolutions as growth/decrease percentage in the period 2008-2011. The indicators of major incidents (the evolution of the value and number of incidents) are similar throughout the whole period 2008-2014 (excepting the year 2012).

### 3. Conclusion

Another factor (different from the difficulties due to the financial crisis) of influence for the upward trend of the value and number of incidents may be considered also the increase of the usage of payment instruments, in the general activity, that reports to the Payment Incidents Central.

The negative aspect of the situation is represented by the safety aspect of a non-collecting situation that leads to asking a considerable advance from the ongoing contract, or choosing the safest and more stable partners, which leads to making commercial relations more difficult and the impossibility for new entities to enter the business environment.

### 4. References

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