YOUNG PEOPLE PERCEPTION OF THE ROLE OF BANKS IN ECONOMY

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Abstract

Romania benefits from a modern and efficient banking system, strongly involved in the development of the economy. However, a large share of total lending is borne by population, but Credit Institutions have tightened lending standards for the population.

Credit Institutions have tightened lending standards for the population, although a large share of total lending is borne by population, and the young generation has an important place in it.

The main objective of the paper is to determine the perception of young people about the Romanian banking system, what will be their behavior in relation to credit institutions, what is the influence of credit on economic growth, and to focus on sustainable development and to determine the right measures to relaunch the economy.

Young peoples have frequent links with banks, using a wide range of banking services. The low use of credit is also explained by the fact that students have less access to credit, especially when they are not employed. In Romania, compared to other European states, credit for studies for young people's vacations are poorly developed.

So, domestic consumption is a major factor in the economic growth, at the expense of investments and the contribution of the external balance.

Keywords: *credit, economy, banks, deposits, perceptions, young generations.*

Clasificare JEL: *E50, E41*

1. Introduction

The banking industry has experienced an explosive growth in recent decades, playing a leading role in economic and social development, financing about 90% of the economy. Romania also benefits from a solid and healthy banking system. Romania, along with 5 countries in the European Union, namely Estonia, Malta, Poland and Slovakia, did not require government intervention in the financial system, during 2007-2016.

The Romanian banking industry benefits from a share capital of ROL 25.75 billion, a banking network of approximately 4,841 units, and a number of employees of about 55,400 in December 2016.

Analyzing the Romanian banking system according to the percentage of assets in the total volume of the system's assets, 73.3% of the banks represent a large, strong group of banks, dominating the market with assets of over 5% of the total assets of the system, the group of medium size banks with assets ranging from 1% to 5% held 20.4%, and that of small banks with assets under 1% had a weight of 6.3%, according to the National Bank of Romania Report.

Tabel no 1.Bank structure by bank assets in the total volume of system assets

	Bank structure by bank assets in the total volume of system assets	%
1.	Group of large banks with assets over 5%	73,3%
2.	Group of medium-sized banks (with assets between 1% and 5%)	20,4%
3.	Group of small banks with assets under 1%	6,3%

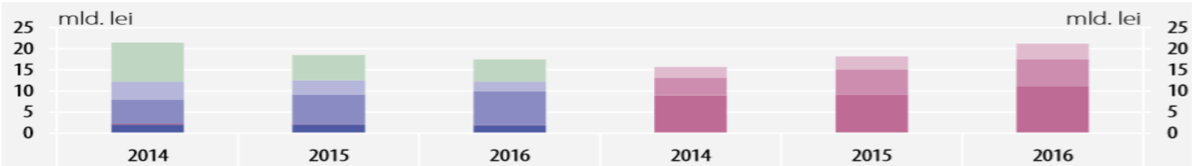
The correlation between the level of new consumer loans granted to households and the level of monthly consumption expenditures is 0.91, which reveals that, through loans, banks directly stimulate the level of consumption in the economy and implicitly the economic growth. Similarly, the correlation between the level of real estate loans granted to the population and the number of existing dwellings is 0.94, which indicates that by means of real estate loans the population directly stimulates the increase in the number of dwellings.

Banks also fulfill the role of attracting deposits and thus protecting the economies of the population and companies. The increase in the level of deposits (8% average annual growth for deposits of individuals and 12% average annual growth in the deposits of legal entities can also be explained by the increase of the confidence of the population in banks' ability to protect their economies. (Voinea L., 2016)

Credit is one of the main engines of the entire economic and social gear. The rational use of credit increases the productive power of capital and ensures the increase of production. The loan provides liquid funds for investments or current activities. (Susana Iosif S., Gavri T, 2013)

The newly granted financing by the domestic banks recorded approximately 38 billion lei, or 17.6% of the total stock of loans at the end of 2016. They turned predominantly towards the sector of individuals, about 55% of the new loans, granted to the non-financial private sector were allocated to households, registering an increase of about 20% compared to 2015. Financing for non-financial corporations also registered a downward trend of -5% compared to the previous year.

The lending to individuals was usually made in lei, oriented to mortgage credit, debtors individuals with a moderate risk profile, but increasing in terms of indebtedness, having revenues with a positive dynamics in the last years.



- Companies, other credits
- Companies, mortgage loans and other real-estate investments
- Companies, credit for financing stocks and equipments
- Companies, credit for financing foreign tradind
- Companies, commercial receivables
- Population, other mortgage loans
- Population, "First house" credit
- Population, consumer credit

Figure no 1. New credit structure for companies and the population
Source: MFP, BNR

The new credit was considered as the loan with the grant date in the reference period from which the loans that have undergone restructuring, refinancing, were removed. Additionally, in the case of non-financial corporations, treasury bills were eliminated, while in the case of the population, loans that had been converted from other currencies were also eliminated.

Credit institutions tightened lending standards for the population at the end of 2017, with mortgage and consumer loans affected. In the case of loans to non-financial corporations, lending conditions remained unchanged.

According to the NBR data, the development at the sectoral level reveal the beginning of a growth period above the lending alert threshold for the population sector, although from the perspective of the financial cycle, total indebtedness (companies and population) does not indicate pressures generated by excessive growth. The deviation from the long-term credit-to-GDP ratio is approaching the signal threshold and the indicator for household credit is 0.8 percentage points at the end of 2016, representing the highest value since September 2008.

In the case of further relaxation of credit conditions, a new period of excessive credit growth may be outlined in which credit institutions will accept a higher degree of risk. Further relaxation of credit standards is not desirable either in the context of the current economic environment characterized by the lowest costs in history.

2. **Analyzing the perception of the importance of the banking sector in the life of young people in Romania**

In this context, we considered it appropriate to find out what is the perception of young people especially about the Romanian banking system and what will be their behavior in relation to credit institutions. This is how we created a questionnaire that was distributed to the young people, usualy students.

The main objective of this questionnaire is to determine the perception of young people about the influence of credit on economic growth, and to focus on sustainable development and to determine the right measures to restart the economy. Thus, a questionnaire was applied to a sample of approximately 100 subjects. In this sense, 11 questions with predetermined variants have been formulated and 4 other open questions, offering the possibility for the correspondents to freely introduce their opinion.

Question no. 1: *Do banks play an important role in the Romanian economy, providing essential financial services for households and businesses, all of which are essential for a proper operation?*

Figure no 2 Response distribution for question no 1

Regarding the first question of the questionnaire, the emphasis is on the importance of banks in the economy, and the correspondents have appreciated the role of banks, probably influenced by the financial services they offer, in a large percentage (apromixativally 80%).

Question no. 2: *Analyzing the current economic situation, do you consider it appropriate to take a loan, whether it is a loan for personal needs, the first house or any of the existing types on the market?*

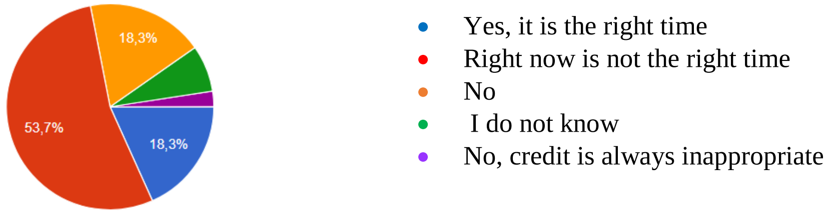


Figure no 3 Response distribution for question no 2

If we look at the current economic situation, the correspondents are no longer optimistic when talking about a credit, the great majority of the correspondents (53.7%) considered that it is not at all opportune time for contracting a loan for the first house or for other personal needs. However, there are some exceptions, about 18.3% of the correspondents are still optimistic and would consider this moment appropriate too.

Question no. 3: *In the same economic context, do you think that is the right time to make savings?*

Figure no 4 Response distribution for question no 3

Given the very low interest rate on deposits, between 0.75% and 2.5% per year, as well as the relatively low incomes of young people, when we talk about savings, our correspondents did not consider a priority and a necessity to make deposits. However, a fairly high percentage of 37.8% think it is a very good moment in the economy, 30.5% as a good moment, and about 20% think it is not a moment for saving.

Question no. 4: *What bank products do you use most often?*

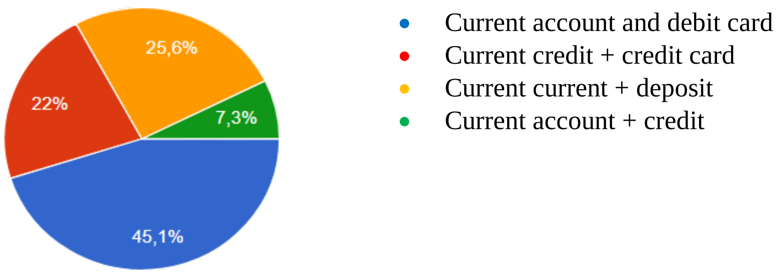
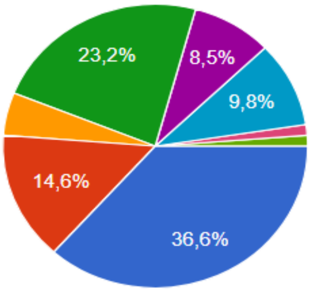


Figure no 5 Response distribution for question no 4

As for the banking products used, a fairly high proportion of respondents appreciate 45.1% as they use current account and debit card, and only 7.3% have current and credit account. The low use of credit is also explained by the fact that students have less access to credit, especially when they are not employed. In Romania, compared to other European states, credit for studies for young people's vacations are poorly developed.

Question no. 5: *Which of the following products / services or financial terms do you feel the need to receive more information?*

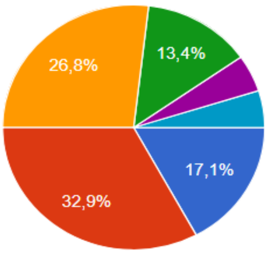


- How to get a credit so that there is no financial problem
- Customer protection initiatives
- Managing the risks of third-party services and operational risk
- Sustainable economic growth
- Operational efficiency
- Existing regulations and requirements
- I don’t want to receive additional information
- Advanced ways of saving

Figure no 6 Response distribution for question no 5

With regard to the products or financial terms used, the vast majority of correspondents felt the need in a somewhat fair way to receive more information about financial products and terms. However, if we look at the chart below, the interest is coming from the idea of "the way to get credit so that there are no financial problems", a 36% indicator. The main sources of information about the banking products and services for young people are the internet, university courses, colleagues, and only in case of necessity bank employees.

Question no. 6: *Which of the following statements best reflects your current financial situation?*

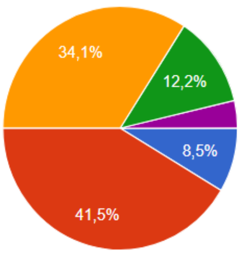


- Save a lot
- Save a little
- Income only covers expenses
- I use the savings of previous periods
- I live from debt
- I do not know

Figure no 7 Response distribution for question no 6

According to the current economy, the current financial situation of the correspondents shows that in a proportion of 32.9% they save little, and in a relatively close proportion 26.8% they say that at the moment the revenues cover only the expenses.

Question no. 7: *How has your financial situation changed over the past 12 months?*



- It has improved considerably
- It improved
- It has not changed
- It got worse
- I do not know

Figure no 8 Response distribution for question no 7

An optimistic statistic is supported by the evidence of this poll. Correspondents say their financial situation has improved, a claim sustained by 41.5%. The other correspondents said in a proportion of 34.1% that their situation did not change, and 12.2%, the negative side, who considered that their financial situation worsened.

With all the optimistic surveys so far, however, correspondents have seen a considerable increase in consumer prices over the last 12 months.

Question no. 8: *How have consumer prices evolved over the past 12 months?*

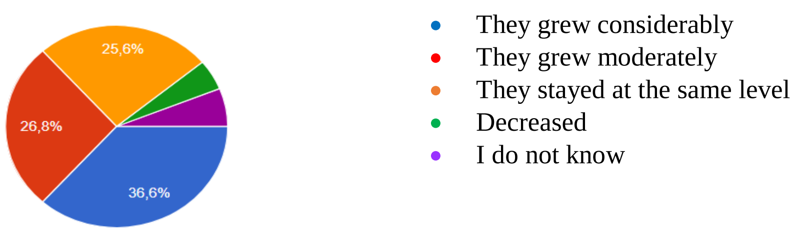


Figure no 9 Response distribution for question no 8

In a proportion of 36.6%, the prices of products and services in their consumer basket have risen considerably, followed by 26.6% of the moderate growth, and a fairly close percentage have observed that prices have remained at the same level.

Question no. 9: *What are the measures the Romanian government should take to relaunch the economy?*

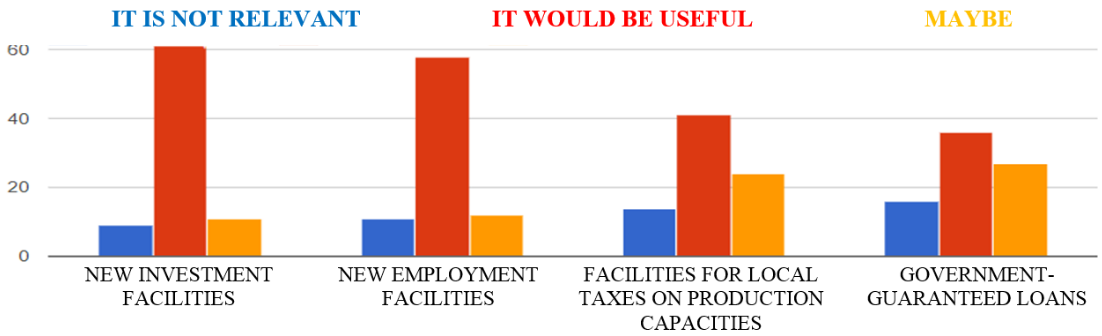


Figure no 10. Response distribution for question no 9

Regarding the measures that the Romanian Government should adopt, the vast majority have remained optimistic and have been open to any indicated factor, appreciated in a fairly large proportion. Whether it facilities for new investments, hiring, facilitating local taxes for production capacities, or government credits, each of these indicators has received a favorable response.

Question no. 10: *How important do you think the following aspects are for developing the region you are part of?*

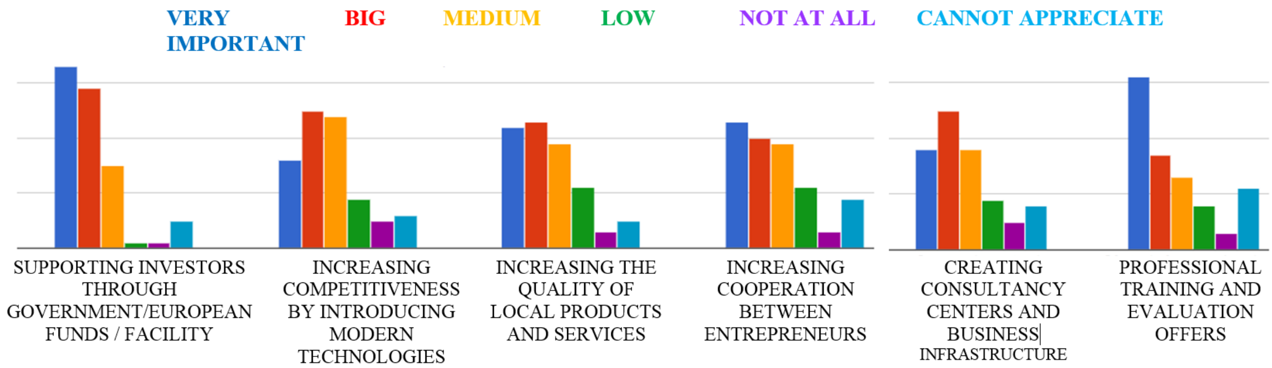


Figure no 11. Response distribution for question no 10

Regarding the region and its development, correspondents become more interested and more involved, appreciating each indicator in a very optimistic way. In a fairly large proportion, they appreciated the fact that it is necessary to provide support to investors through European or governmental funds as well as investment subsidies or tax and tax cuts, as well as the training and evaluation offers as well as creating cooperation between entrepreneurs.

Question no. 11: *What measures would you take during the crisis period to maintain your own activity?*

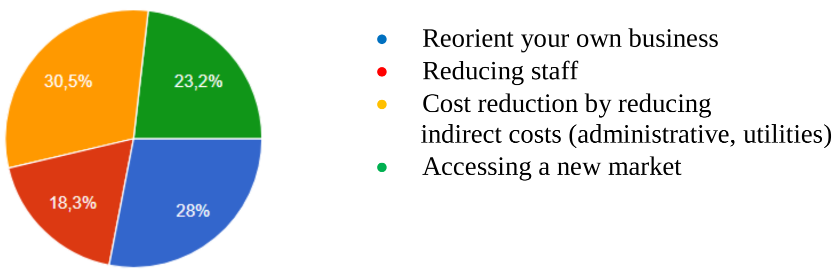


Figure no 12. Response distribution for question no 11

When the responsibility belongs to the correspondents themselves regarding the measures taken during the crisis in order to maintain the activity, the great majority choose the balance, choosing the cost reduction, an indicator appreciated in a proportion of 30.5%. When talking about the other suggested indicators, 28% are innovative and would take the step of reorienting their own business, and a fairly small proportion of 18.3% would plan to cut staff.

3.Conclusions

Thus, we have found that the questionnaire, although randomly constructed, has a relatively balanced distribution for most age groups - 18-25 years in a proportion of 58.5%, 25-35 years in a proportion of 28%, and over 35 years - 13.4%. The best represented group is 18-25 years old. When talking about sex, they were somehow balanced between the two, 51.1% were male and 48.9% female. The vast majority of respondents have higher education and are also in the workplace.

The data provided indicates impartiality and desire for something better. From the first question I have noticed that the correspondents have a fairly high degree of confidence in the banking industry, although it has undergone a number of changes by developing in an impressive way, so the correspondents see it as a landmark in the country's development. Although banks in

Romania do not rise to the level of the other banks in Central European markets, they are more than just a starting point for future joint action and coherent public policies that support development.

From the point of view of the credit institution, continuing to maintain an adequate degree of prudence, even if it can reduce access to credit for low-income and very low-income population, it provides additional protection to eligible borrowers in the event of shocks, especially for those who will contract mortgages, which are particularly vulnerable to interest rate shocks.

In Romania, the economic growth is driven by consumption stimulating policies and has been steadily rising. Domestic consumption is a major factor in the economic growth, at the expense of investments and the contribution of the external balance.

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