

POINTS OF VIEW REGARDING THE EFFECTS OF THE DOMINATION OF FOREIGN CURRENCY IN THE ROMANIAN BANKING SYSTEM

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More than any other field, in the banking system the phenomenon of globalization is starting to feel its presence more and more.

Recently, in the Romanian banking system, many changes have occurred, both in the hierarchy and also in its structure, changes produced mainly by the process of reorganization and privatization, but also by the perspective of the adhesion of Romania to the European Union and of the concurrent environment in this space.

Although the reorganization of the Romanian banking system began at the end of 1990, when the newly founded Romanian Commercial Bank took over the operations with the practice done, until then by the Romanian Commercial Bank; however, the low quality of the credit portfolio (at the end of 1998, the non-performing credits represented 58% of the total of the portfolio of credits) caused, at the beginning of 1999 the Romanian National Bank to start off a vast reorganization project of the banking system, meant to prevent the risk of system that aimed at:

- solving the situation of the problem banks;

- improving the frame of the settlement and of the attentive supervision of the banks;

- creating and improving some institutions of indirect support of the banking system such as The Central of the Banking Risk, The Central of the Payment Happening, The Guarantee Fund and further The Credit Office.

Also, the Agency for Capitalization of the Banking Assets (AVAB), for the taking over of the non-performing claims of the state banks.

Essentially, the most important process that took place in the Romanian banking system is represented by the reorganization of his existential foundation, the capital.

The foundation of the Romanian banks with private capital, the privatization of the ones with state capital and the entering of the foreign banks in competition, considerably modified the banking landscape. The reorganization of the Romanian economy from the passage to a competitive market economy was preceded and impelled by the reorganization of the banking system at the same time.

The financial prices of the reorganization of the banking sector endured by the state represented during 1990 and 2003 10% of the Gross Income.

Today, the Romanian banking system is dominated by the prices of the foreign currency that facilitated the access to external financing, led to the increase of the efficiency in administrating the risk with positive implications on the stability of the banking sector.

After the form of propriety of the total amount of 39 credit institutions at 31.12.2007, 2 remain framed in the category of state banks (CEC and Eximbank), 4 own private of a majority Romanian capital, and 33 foreign currency., After January 1st 2007, 126

credit institutions are added to these, that can carry on the activity on Romanian territory only based on a notification addressed to the National Bank.

In tables 1 and 2 there are shown the constitution of the banking system on forms of propriety and the

foreign attendance at the bank capital Romanian institutions and the branches of the foreign banks from Romania on December 31st 2006, according to the annual Report of B.N.R (National Romanian Bank) in 2006

Table no.1. The constitution of the banking system on forms of propriety
number of banks, the end of the period

	1989	1996	2000	2002	2003	2004	2005	2006
I. Banks	5	31	33	31	30	32	33	31
Banks with complete or of a majority of state capital	5	7	4	3	3	2	2	2
-with complete capital of state	5	1	1	1	1	1	1	1
-with of a majority capital of state	-	6	3	2	2	1	1	1
Banks with private of a majority capital	-	24	29	28	27	30	31	29
-with national of a majority capital	-	14	8	4	6	7	7	3
-with foreign of a majority capital	-	10	21	24	21	23	24	26
II. The branches of foreign banks	3	9	8	8	8	7	6	7
Total banking system	8	40	41	39	38	39	39	38
The Cooperative Bank	-	-	-	-	1	1	1	1

Source: The annual report of B.N.R 2006

Table no. 2. The foreign participations to the capital of the banks, Romanian institutions and to the branches of the foreign banks from Romania at December 31st 2006

Explicații	mil RON	%
Austria	2.257,4	23,9
Greece	1.552,8	16,4
Holland	700,4	7,4
Italy	634,4	6,7
Hungary	442,9	4,7
France	413,7	4,4
Cyprus	154,9	1,6
USA	146,9	1,6
Germany	123,3	1,3
Great Britain	109,9	1,2
Foreign capital belonging to UE	5.120,9	55,2
Foreign capital belonging to UE countries	4.887,7	51,8
Aggregate foreign capital in the banking system	6.910,8	73,2
All capital of the banking system	9.444,7	100,0

Source: Annual Report of N.B.R 2006

During 2007 the number of participants from the Romanian banking market enriched through the apparition of four banking societies and branches of foreign banks. As we can see from table no. 1, from all viewpoints, the evolution of the Romanian banking system after 1990 is absolutely spectacular. The number of the Romanian banks increased from 5 to 31 with a maximum of 45 banking societies in 1998, and the number of branches of the foreign banks from 3 to 7, reaching from a centralized banking system made up of specialized banks to a system dominated authoritatively by the universal banks. The evolution of the structure of the banking system knew an extremely vast modification, being, by far, the social and economic field where the private capital became the quasi total, the gravity of foreign capital exceeding 70%. Beside the House of Savings and Recordings, converted in banking society in 1996, only Eximbank keeps the of a majority state capital, this institution behaving more like a governmental agency destined to support the activity of external trade.

Analyzing the nature of the foreign capital invested in the Romanian banking market, we can notice a domination of the European capital, even the one coming from the countries of the European Union. Here we also notice an interesting concentration, the accumulation of over 40% in only two countries, Austria and Greece, that don't represent great economic forces in Europe.

Regarding the influences that the powerful infusion of foreign capital in the Romanian banking system spread, directly or indirectly in the business field, we can mention the following findings:

- the solidity of the banking system increased appreciably, considering the fact that the "mother" banks are recognized, internationally contributing to the increase of the prestige and can also ensure finances of great values to the business from Romania;

- the large number of banking units with foreign capital brought about a true competition in the offer of services and banking products, leading to a decrease in

costs for the Romanian customers, persons or institutions. According to the dates in December 31st 2007, the number of the banking units to a million people is 252 in Romania, almost half of the average in the European Union.

Taking into account the fact that the banks finance lucrative business, they act indirectly on the reorganization of non-remunerative sectors. So, the ones that don't achieve the indicators of reliability that the banks requests in the activity of crediting, will withstand less on the market or they will fail. This is the true gain of the infusion of foreign capital at the level of the banking system. Also, the foreign capital came with the specific management of the competing market economy, eliminating the extremely harmful political influence decisive in the bankruptcy of the state banks.

The offsets, in real terms, done by the banks for their clients, led to the acceleration of payments and implicitly of the receipts, the majority of banks having modern informational systems to perform such operations.

The products and the services of payments offered by the banks to natural persons practically revolutionized the system of payments of the equivalent of the goods and the services bought by these persons. Nowadays we see the mass use the cards, not only for the salaries, but also for the payment of products in supermarkets.

Of course, such a dominant infusion of foreign private capital contributes, in the same time, to a powerful dependence of the banks from Romania of the international financial turbulences; these turbulences spreading with the intensity of the phenomena, which occur outside Romania.

Finally, we formulate the opinion that a powerful bank, having Romanian private capital, can justify its presence only in a fully competing environment, determined by a reorganized and efficient economy, joined for good and all to the European values and especially came off some subjective influences of political nature.