ORGANIZATION AND FUNCTIONING OF COMMERCIAL BANKS IN ROMANIA – TRANSYLVANIA BANK

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ABSTRACT

With the development of the industry, they have the term of short credit operations of the production cycle. The credit term gradually increased, part of the Bank's resources began to be invested in fixed capital, securities, etc., thus the term "commercial" in the notion of bank has lost its original meaning. Now, this term implies the "business" character of the bank, its orientation towards serving all economic agents regardless of the sphere of activity. In the modern market economy, the activity of commercial banks has a major role with all their connections with the sectors of the economy. The purpose of banks is to ensure the continuous circulation of capital and money, lending to industrial enterprises, the state and the population, creation favorable conditions for economic growth. Modern commercial banks, having the role of financial intermediaries, perform an important macroeconomic function, ensuring the inter-branch and inter-regional redistribution of monetary capital. The objective of this article is based on an effective analysis of the situation of commercial banks in Romania, with Transilvania Bamk as the direct target. Thus, the scope of the work is a financial-banking one, which can lead to a comparative study with the other institutions.

KEYWORDS: *commercial banks, credits, loans, Romania.*

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1. INTRODUCTION

This paper, based on the example of Transylvania Bank, wants to highlight the progress made in banking and credit activity. The lending policy practiced by commercial banks is a topic that fascinates for many decades and arouses the interest of both specialists in the economic field and the management of banking financial bodies around the world, since the acquisition of well-being through economic development implies the accumulation of capital.
The banking system, in a market economy, fulfills the function of attracting as well as concentrating the savings of society and channeling them through an impartial process of allocating credit to those efficient investments (Adrian & Shin, 2010). As the basic links of the system, banks, by fulfilling this function, monitor how the borrowed resources are used by borrowers (Harris & Opp, 2017).
In order to be able to establish a banking financial institution, you need social capital, authorization, headquarters, employees as well as customers, these representing the most important aspect for the functioning and carrying out the activity of a bank (Allaire & Fîrşirotu, 1998).

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Attracting deposits and providing loans is the essential objective of the bank, which results in making a profit. In order to make a profit a bank must take into account and comply with the laws imposed (Rădulescu et al., 2020).
Banks establish their activity to be at the top and to be able to fulfill all their objectives, acting in a market where the competition is superlative (Begenau, 2020). Proper and thorough planning leads to the identification of citizens' problems. The relationship between the bank and the customer is the most memorable stake of banking activities (Ionita et al., 2009).
One of the most important obligations of banking institutions is the strict preservation of professional secrecy in customer relations (Bodislav et al., 2020).
The foundation of banking professional secrecy derives within the limits of the legal framework, from the bank-client relationship (Jianu et al., 2019). Bank secrecy consists as a means of protecting the client, to preserve the confidentiality of his activity.
The financial and banking institutions, in the last decades, had the primary role in the development of economic activities, being the basis of the ups and downs of the economic cycles (Boone & Kurtz, 2012). These becoming part of everyday life, they have become indispensable for each individual.

2. CHARACTERISTICS OF THE ORGANIZATION AND FUNCTIONING OF COMMERCIAL BANKS

Globalization trends of the world economy also frame the development of the Romanian banking system, although, in the case of Romania, it is much more appropriate to talk about a regional concentration of financial processes and the market, because commercial banks hold a dominant position in the Romanian financial system due to the rapid growth of recent years, and the rest of the financial institutions have relatively low market shares (Buzoianu et al., 2021).
The place, role and impact of commercial banks in the domestic financial system and in the Romanian banking system, as well as on financial stability, are very important, although in recent years the financial system has encountered some downward trends in its main indicators (Burlacu et al., 2021).
The increase in the economic role of commercial banks can be confirmed in the current context by expanding some spheres of actions and evolution of some new types of financial services (Brunnermeier & Sannikov, 2014). At present, commercial banks in various states can offer a multitude of financial products and services to customers. In order to carry out these processes, the banks work in their own name and on their own account, the loan contractors and deposit holders having no direct or reciprocal relationship (Haralayya & Aithal, 2021).
The economy would not function properly without commercial banks (Danciu, 2004). Without them, the population would have to work only with cash. This money should be stored somewhere and this is very risky (Moreira & Savov, 2017). If there were no commercial banks, the borrower and the depositor would have to find another financial intermediary, and just one transaction between them would be very expensive
Commercial banks make possible transactions that would be possible with huge risks or that would not be possible at all, and the Romanian banking system has proven its structural stability by granting safe loans and optimizing the loan portfolio (Malherbe, 2020). Therefore, the Romanian banking system, through commercial banks, has proven its role as the main financier of the domestic financial system (Căpraru, 2014).
Public sector commercial banks have majority state capital, as they are wholly or largely nationalized by the Romanian government. Romanian public sector banks operate according to the guidelines of the National Bank of Romania, which is the central bank. The two banks with majority state capital in the Romanian banking system are CEC Bank and Eximbank.

Private sector commercial banks represent those commercial banks, in which private enterprises and individuals hold a significant share of the share capital (Murodovich & Jahongir, 2022). Private sector banks are usually registered as joint stock companies. Commercial banks with majority foreign capital are much more numerous than those with domestic capital, by the way, among them are listed: Romanian Commercial Bank, Transilvania Bank, Romanian Development Bank, UniCredit, Raiffeisen, AlpaBank, Piraeus Bank, Bankpost, OTP Bank and Garanti Bank.

3. ORGANIZATIONAL ANALYSIS AND FUNCTIONING OF BANKING ACTIVITIES ON THE TRANSYLVANIA BANK MODEL

In December 1993, two business people from the Cluj area had the inspired idea of building a local bank that would be an innovative brand of the city. Through their entrepreneurial spirit, the two founders managed to consolidate Banca Transilvania in Cluj, later expanding to regional and local levels. The bank's activity was primarily focused on the SME sector, but the market demand of the bank's activity also towards the retail segment. In 1997, Banca Transilvania was the first financial institution in Romania to be listed on the Bucharest Stock Exchange (BVB). According to BNR statistics, the entity's stock symbol is TLV.
In 2002, the institution is under the branch of a modern management, international know-how and with a totally different style, centered on flexibility as well as on the opening of new horizons. In 2003, the bank was relaunched under a new identity, of corruption. This relaunch also inaugurated a new logo, as well as implementing a new standard concept on its territorial units. Also in this year, the Banca Transilvania Financial Group from Romania was established, which aimed to promote integrated financial products. The group benefits from modern management as well as high performance, which is characterized by openness and flexibility.
Transylvania Bank Financial Group is made up of sixteen companies operating in financial sectors such as banking, investment management, consumer financing, real estate transactions and leasing. Transylvania Bank is the central component of the group, which promotes a unique strategy of expanding the wide range of financial products and services offered to customers (Klejda, 2021). All financial services and products, both banking and products offered by the group's subsidiaries, are made available to customers through a unique distribution network incorporated under the BT brand.

3.1 The results of the current activity of Transylvania Bank

The first quarter of 2022 brought BT bank favorable financial results, which led to an entry "on the right foot" in the start of new online platforms, in order to be constantly with its subscribers, both through the digital network and through the physical network of BT offices.
At the end of September of the previous year, Transylvania Bank recorded a net profit of 995.063 thousand RON, and the Transylvania Bank Financial Group had a net profit of 1.541.069 thousand RON.

Tabel 1. The net profit of Transylvania Bank

Year	Transylvania Bank	Transylvania Bank Financial Group
2020	1.286.989 thousand RON	1.2482.468 thousand RON
2021	1.328.440 thousand RON	1.327.013 thousand RON
2022	2.617.668 thousand RON	2.548.017 thousand RON

Source: Own processing after BT's Financial Results in the period 2020-2022

Transylvania Bank Group ended the first quarter of 2022 with assets worth 64.1 million RON, of which 59.8 million RON belong to the bank, net loans being represented by a percentage of 52.98% of BT Group's assets. The rate of increase in revenues from operating commissions is 19.2% percent, also, the operational efficiency of Transylvania Bank is maintained at a comfortable level of 49%.

Table 2. Total assets of Transylvania Bank

Year	Transylvania Bank	Transylvania Bank Financial Group
2020	59.312 million RON	59.905 million RON
2021	51.870 million RON	52.294 million RON
2022	47.543 million RON	48.279 million RON

Source: Own processing after BT's Financial Results in the period 2020-2022

Depending on the volume of assets, at the end of 2021, the market share increased to 15.9%, the bank establishing itself in second place in the top of the banks in the banking system in Romania.
It can be argued that this increase in the operational income of Transylvania Bank remained in the bank's attention and contributed to the increase in income from trading and commissions.
The bank announced at the beginning of 2018 that it will have a collaboration with Personetics, the market leader in cognitive banking applications. The application offers customers a superior digital experience through personalized real-time financial support, it will be integrated with the new Mobile Banking, Internet Banking and BT24 versions.

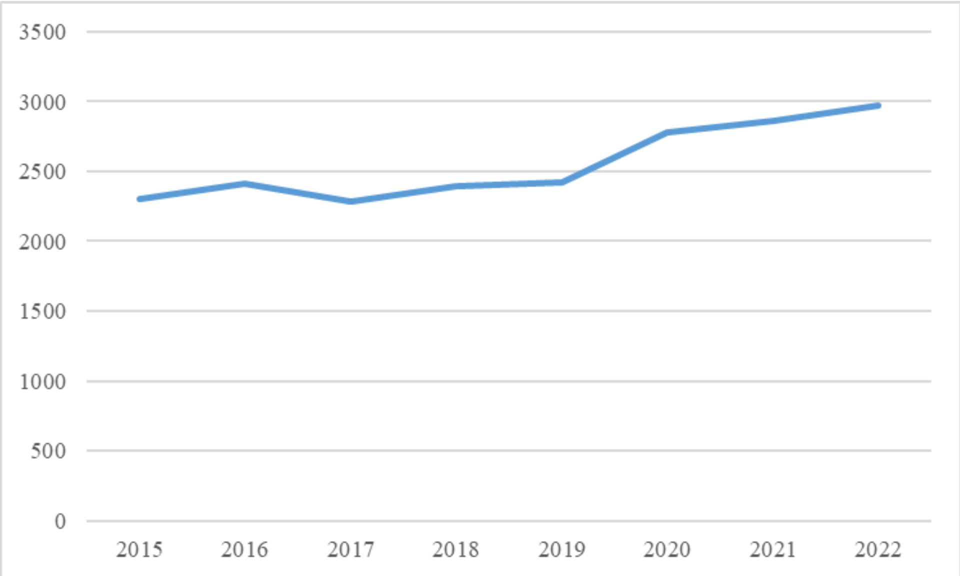
Table 3. The number of cards and the volume of card transactions issued by Transylvania Bank

Year	The number of cards issued by BT	The volume of transactions with cards issued by BT
2020	3,12 million RON	21%
2021	2,9 million RON	About 20%
2022	2,64 million RON	19,5%

Source: Own processing after BT's Financial Results in the period 2020-2022

In 2021, BT was estimated by one of the largest evaluations and brand strategy firms, Brand Finance, as the most valuable Romanian banking brand.

Figure 1. The evolution of Transylvania Bank share prices



Source: Final financial results – Directors' Report 2022

Table 4. The financial position of Transylvania Bank for the years 2020-2022

Transylvania Bank				Transylvania Bank Financial Group		
Mil. RON	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
Investments in credits	28.740	29.880	32.693	28.549	29.830	32.521
Provisions	-2.732	-2.369	-1.879	-2.923	-2.596	-1.972
Immediate liquidity	8.987	8.440	12.940	8.987	8.379	11.986
Headlines	12.589	15.780	16.516	12.817	15.175	16.096
Real estate	498	595	698	547	668	790
Tangible and intangible assets	439	469	563	557	668	790
Titles of participation	88	166	197	0	0	0
Other assets	494	784	682	542	845	754
Total Assets	47.943	52.370	59.802	47.879	52.394	59.995
Equity	6.438	6.384	7.270	6.441	6.453	7.440
Subordinated loan	436	464	475	456	464	465
Resources from the clientele	38.895	42.252	49.599	38.802	41.681	48.932
Resources from banks	1.574	2.794	1.428	1.558	2.752	1.815
Other debts	1.340	1.316	1.790	1.402	1.344	1.703

Source: Own processing by Financial Results-Administrators' Report

According to the table 4, at the end of 2021 the Bank's credit/deposit ratio Transylvania was 65.5%, the volume of gross loans being 33, 693 million RON, moreover, the resources attracted from the clientele was 51,299 million RON.
Among the indicators monitored by the NBR through the prudential supervision system, the most evocative for characterizing the Bank's evolution are presented in table 5.

Table 5. Indicators of banking prudence

Indicator	Level	BT level 2022	BT level 2021	BT levedl 2020
Liquidity indicator	Min=1	2,50-25,63	1,89-17,84	2,46-21,08
Solvency indicator	>8%	22,12%	19,82%	23,26%

Source: Administrators' Report2022

The solvency ratio is at a comfortable level in the first semester of 2022 is 19.43%, with the annual profit included. In accordance with banking prudential practices, an appropriate level of general financial indicators and capital has been maintained.

3.2. Banking products and services offered by Transylvania Bank

A bank-wide systematic approach is represented by the relationship between the customer and the bank (Negescu et al., 2020). Customers, both individuals and legal entities, have different preferences regarding banking activities. After winning a client, the bank's interest is to maintain it, moreover, to optimize the income contributed by the client, during their relationship.

Cards

The card is a non-transferable payment instrument that contains security features as well as identification data of the owner (Profiroiu et al., 2020). Currently, bank cards are the most used methods for paying for various services or products.

Transylvania Bank offers a series of cards to individual customers such as: Shopping cards, Debit cards. In addition, Transylvania Bank also has Business IMM cards such as: Visa Business Debit; Visa Business Credit; Visa Business Electron; Master Card Business; BT table card.

With 3.2 million cards in its portfolio, Transylvania Bank is the largest card issuer in Romania, being also the market leader in terms of card transactions. The number of cards decreased in the period 2020-2022 due to the problems generated at the level of society by the COVID pandemic and the decrease in confidence in making deposits by the population, as this also brought with it the reduction of funds and income.

Table 6. Number of cards and credit card portfolio of Transylvania Bank

Year	The number of cards issued by BT	BT's credit card portfolio
2020	3,02 million RON	383.766 cards
2021	2,8 million RON	339.000 cards
2022	2,54 million RON	295.000 cards

Source: Own processing based on BT's financial results for the period 2020-2022

In June 2020, there was an increase of over 450% compared to the previous year, thanks to approximately 20% of contactless transactions. Transylvania Bank owns 13 types of cards for individuals and 5 types of cards for SMEs, as well as two first wearabes payment alternatives in Romania, these being the BT contactless bracelet.

Table 7. Number of ATMs, POS and collaborations with e-commerce users of BT

Year	ATMs owned by BT	POSs held by BT	Merchants using e-commerce
2020	1.033	42.066	962
2021	1.120	31.800	600
2022	1.221	31.776	510

Source: Own processing after BT's Financial Results in the period 2020-2022

Credits

Transylvania Bank offers individuals a series of loans such as consumer loans, real estate investment loans, intelligent investments, the Guademus loan and the patient loan.

Transylvania Bank offers its customers, individuals, two types of loans for real estate investments: Transylvania Bank real estate-mortgage loan, respectively First House. The difference between a real estate loan and a mortgage is found in the type of guarantee. In the case of the mortgage loan, it is guaranteed with the real estate that is purchased through credit, and with the real estate loan, it can also be guaranteed with another real estate than the one purchased.

In the case of credits called "Smart Investments", natural persons can choose between the green real estate-mortgage loan, where BT customers can access real estate loans with interest discounts of up to 0.5% compared to the standard version, both in RON and in euros, for the purchase of buildings with superior energy performance or they can opt for the green personal needs credit, which aims to finance green technology for household use.

In 2021, Transylvania Bank offered its customers over 58.000 loans and approximately 185.000 new loans granted, thus Transylvania Bank Financial Group manages loans in the country worth 38.43 billion RON.

Transylvania Bank is the second largest player in the list of banks after lending activity, achieving in 2020 a 10% increase in lending, up to 29.9 billion RON, thus surpassing the Romanian Development Bank. In 2022, the bank paid attention to the SME and retail segment, with the volume of new loans granted being 14.7 billion RON.

With the acquisition of Bancpost through the integration of the Greek bank's portfolio, Transylvania Bank will become the largest financier in the local banking industry.

Savings and investments

As part of savings deposits, Transylvania Bank offers its customers three types of deposits, namely: Savings accounts; Term deposits; Kid Cont.

Through these bank deposits, in addition to the physical security offered, BT customers can look at these deposits as very effective savings tools. The calculation of interest on a deposit is carried out according to the following formula:

Interest = Amount deposited x Interest rate (%) x Duration of the deposit (number of months) / 12 (1)

Investment funds can be classified as alternatives that have a high degree of liquidity and are distributed through the banking network. Through open investment funds, the client has the opportunity to withdraw or invest money whenever he wants. The tax that applies only to the gain resulting from the partial or total sale of investments in the fund.

Table 8. The ratio between loans and deposits of Transylvania Bank

Year	**2020**	**2021**	**2022**
Loans/deposits ratio	72,54%	71,2%	66,5%

Source: Own processing after Financial Results- BT press release

There is a decrease in the loan/deposit ratio at the end of 2022, which is 66.5%. In 2020, only 29,4 million RON were achieved. Also, the revenues attracted by the clientele were 39.395 million RON in 2020. An increase is observed during the following years, so in 2021 the resources withdrawn by the clientel were 41.852, following that in 2022 they will attract resources from the clientele in the amount of 49.399 million RON.

Table 9. Financial results regarding the placement of credits and resources attracted by the clients

Transylvania Bank			**Transylvania Bank Financial Group**			
Million RON	2020	2021	2022	2020	2021	2022
Loan placements	31.793	29.580	28.340	32.121	29.830	29.049
Resources attracted by the clientele	49.299	41.952	38.695	49.932	42.681	39.202

Source: Own processing after Financial Results- BT press release

In the top of the banks for savings activity, both in 2021 and in 2022, Transylvania Bank ranked 2nd with the amount of 41.7 million RON, respectively 48.9 million RON.
In 2021, pushed by the need for resources, most banks accelerated the attraction of funds from customers, offering interest on deposits above the market average. Transylvania Bank recorded, in 2022, a 17% increase in deposits compared to the previous year and a balance of 49.9 million RON.

4. CONCLUSIONS

In recent years, the banking side has acquired a strategic position from a social, political and financial point of view due to the implementation of the modern economy and the expansion of the modern economy at the national level resulting from the accelerated process of globalization.
Banks, although they represent only a section of the world of financial institutions alongside other companies, they have the role of financial intermediaries.
Commercial banks can be defined in a very broad sense, as institutions that ensure the keeping of money, the exchange of money as well as lending.
Generally speaking, they grant loans and constitute deposits. The Romanian banking sector is subject to the structure of a modern banking system, located on two levels, namely the National Bank of Romania and commercial banks.
In the Romanian banking system, a dominant position is held by commercial banks, due to the rapid growth in recent years. They perform a variety of functions that can be both primary and secondary. Therefore, it can be concluded that the Romanian economy could not function without these commercial banks.
Transylvania Bank, in order to support the economic expansion, established its mission from the beginning that emphasizes the complexity of the product and service offer, the degree of specialization and supporting this concept by branching out credit lines structured into four categories, SME, Corporate, Retail and Medical Division. Transylvania Bank is included in the top of the most important and large financial-banking institutions in Romania, being at the same time a very attractive company listed on BVB, the Bucharest Stock Exchange.
Within the analyzed institution, the priority of the banking activity is the improvement and the raising of the standards of the services and products of the BT brand, otherwise it also aims at a high degree of competence of the employees, so that the main target and the one that makes the difference is the quality. The inclusion of all financial products and services under the BT logo actually represents the strategy of the Financial Group of Transylvania Bank, which is financially supported by the European Bank for Reconstruction and Development to some extent and the Investment Division of the World Bank.
Transylvania Bank carries out operations and activities both in Romania and abroad, on its own account for its clients, individuals or legal entities, on behalf of institutions and in collaboration with them. To earn the trust of its clientele and to continuously develop, Transylvania Bank must demonstrate openness and accountability by proactively sharing the information it holds with all stakeholders and seeking feedback. BT must also respond to requests for information from interested parties. On the other hand, Transylvania Bank could become a digital bank, which could be encouraged by the Millennials generation. All the operations can be carried out through a device with an Internet connection, both the services offered and the products can be carried out through the Internet. Also, it takes a long time to implement all these innovations and the problem of card theft or loss is another problem. This could be easily solved if Transylvania Bank would create a program where all users have their card registered in the app and give them the ability to close it themselves just by entering their data and pin code.
Effective external relations and information disclosure, as well as more productive and open public communications, are key elements in building partnerships and attracting customers.

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