

THE EVOLUTION OF THE BANK DEPOSITS MARKET IN THE OLTENIA SOUTH WEST REGION

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Abstract: *The article presents the analysis of the evolution of deposits in lei and foreign currency from the South West Oltenia Region. The inhabitants of Oltenia have less money in their bank accounts in the form of deposits in lei and foreign currency. At a time when specialists are urging us to save, some residents of Oltenia have significantly diminished their savings at banks in the form of bank deposits.*

The methods used by the authors of the paper consisted in collecting information from the NBR data sets, analysis, graphical representation and formulation of conclusions

An aspect that emerges from the analysis is the fact that in Romania the standard of living is low on average, and the SV Oltenia Region can be considered among the poorest areas of the country, as a result also the level of saving is lower than in other regions.

Key words: *bank deposits, savings, banking system, interest*

INTRODUCTION

Oltenia region is located in southwestern part of Romania and consists of 5 counties: Dolj, Gorj, Mehedinți, Olt and Valcea. The South-West region has an area of 29,212 km², representing 12.25% from the total area of Romania [9].

The economy of the South West Oltenia Region is industrial-agrarian, the industry contributing mostly to the formation of GDP, and the population is employed in agriculture in proportion of 50% of the total employed population [9].

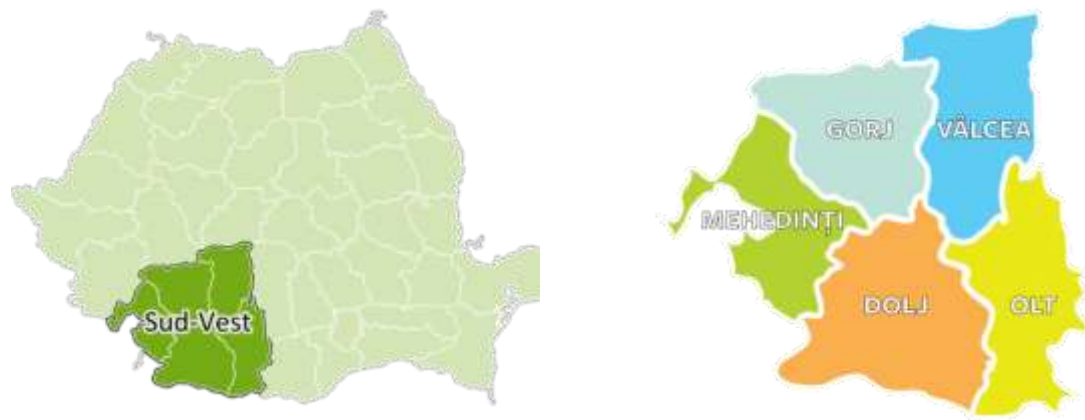


Figure 1. South West Oltenia region map

Sources: <https://abr.org.ro/filiale/filialele-din-regiunea-de-dezvoltare-sud-vest-oltenia/>,
<https://www.https://antreprenoriat.utgjiu.ro/> [10, 11]

The purpose of the article is to outline an image of customer deposits that are on an upward trend due to increased confidence in banks.

The objective of the paper is the analysis of bank deposits representing the resources of banks and reflects both the trust of depositors in the institution, but also the corresponding level of remuneration, in the form of the subsidized interest rate.

The most attractive savings product for Romanians is still the bank deposit. It is constituted by depositing a sum of money at the bank, for a certain period of time, for which any bank will pay the client an interest [5,7,8].

The main purpose of the bank deposit is to protect the savings from depreciation, for which it is necessary that the interest rate on bank deposits to be higher than the inflation rate [1,3,6].

In banking, there are: demand deposits and time deposits [1,3].

The advantage of a demand deposit is the flexibility it allows, but at a lower interest rate than the term deposit.

Current accounts, also called demand deposits, are the most used cash accounts, and depositors can be individuals or legal entities [1,2,4].

Current accounts are opened in lei or in foreign currency and are used for current deposits and withdrawals or for various payments [3,5].

Current accounts or demand deposits are the most used banking products. Through them, receipts can be made (from salaries, from other account holders, etc.) and payments (services, products, utilities, installments on loans, etc.). Usually, bank cards can be attached to these accounts. The account holder can access cash at any time [1,2,4].

These accounts may or may not bear interest at sight (lower than for time deposits). In these deposits/accounts we keep the funds for current needs (payment of invoices, purchases, coverage of maintenance expenses, etc.) [14,15, 18].

Term deposits with their derivative forms represent the most important source attracted by banks due to stability for certain periods, an essential aspect for the bank's treasury.

The inhabitants of Oltenia have less money in their bank accounts in the form of deposits in lei and foreign currency. At a time when specialists are urging us to save, some residents of Oltenia have significantly diminished their savings at banks in the form of bank deposits [16,17].

MATERIALS AND METHODS

This paper aims to present an analysis of the evolution of deposits in lei and foreign currency from the South West Oltenia Region.

The data used to perform this analysis were collected from various bibliographic sources in the literature and includes books, articles and papers, websites, but also from publications provided by the NBR, which were processed, interpreted and were formulated conclusions in order to provide an image regarding the changes in the evolution of customer deposits in the South West Oltenia Region in the period 2015-2019.

RESEARCH RESULTS

The latest statistical data of the NBR on territorial behavior show a significant increase in savings. The saving is conditioned mainly by the income level. People tend to save more as their income increases.

The counties where the population but also the companies save have also contracted important loans, according to NBR [12].

The demand deposits in lei of the population from Oltenia increased annually, during the analyzed period (Table 1).

In table 1 we presented the structure of demand deposits in lei of customers in the South West Region, and from the data analysis we reached the following conclusions:

- Demand deposits in lei from the South West region had an upward trend (from 2,960, 80 million lei in 2015, to 6,546.6 million lei in 2019);

- it can be noticed that the cash availability in lei in the five counties has doubled in the period 2015-2019, registering significant increases from one year to another.

Table 1.**Demand deposits in lei****-lei million-**

Year	Dolj	Gorj	Mehedinți	Olt	Vâlcea	South West Region	Romania
2015	1,212.7	405.5	261.5	481.7	599.4	2,960.80	72,332.8
2016	1,471.8	530.3	319.2	638.2	705.6	3,665.1	88,234.0
2017	1,885.5	885.5	394.7	781.6	832.2	4,779.5	99,918.0
2018	2,147.7	808.1	509.6	993.5	1,139.0	5,597.9	111,700.4
2019	2,633.5	949.0	596.6	1,202.6	1,164.9	6,546.6	133,538.0

Source: [https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc\[13\]](https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc[13])

According to the statistical data from the National Bank of Romania, the total term deposits in Oltenia, constituted in lei, increased from one year to another by approximately 100 million lei.

The analysis of the total term deposits (table 2) by counties in the period 2015-2019 shows the following aspects:

- there were increases in the volume of term deposits, in the counties of Dolj (+154.9 million lei) and Olt (+26, million lei);

- the largest decrease was registered for term deposits in Mehedinți County, which stood at 458.5 million lei, in 2019, decreasing by 43.9 million lei compared to 2015.

- term deposits in Valcea County decreased by 26.3 million from 1,144.4 million lei in 2015 to 1,118.1 million in 2019.

Table 2.**Time deposits and deposits redeemable at notice in lei****-lei million-**

Year	Dolj	Gorj	Mehedinți	Olt	Vâlcea	South West Region	Romania
2015	2,244.6	916.1	502.4	862.2	1,144.4	5,669.70	102,217.2
2016	2,261.3	911.0	488.6	853.7	990.9	5,505.50	103,902.7
2017	2,165.3	914.4	483.7	864.4	1,170.0	5,597.80	110,620.3
2018	2,238.8	901.3	446.5	848.3	1,170.6	5,605.50	113,035.2
2019	2,399.5	915.1	458.5	888.2	1,118.1	5,779.40	113,241.9

Source: [https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc\[13\]](https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc[13])

In Dolj County (Figure 2), cash and cash equivalents increased in lei from one year to another during the analyzed period.

Out of the total cash availability in lei of 2,399.5 million lei in 2019, the population held 1,495.8 million lei in current accounts, 990.5 million lei were held by non-financial companies, and the rest belonged to other institutional sectors.

In Gorj County (Figure 3) the cash availabilities of the households of the population has approximately doubled in the four years analyzed (from 321.8 million lei in 2016, to 627.2 million lei in 2019).

According to BNR data, in Gorj, non-financial companies deposited 402.9 million lei in current accounts in banks in 2017, and in 2019 they decreased to 278.5 million lei.

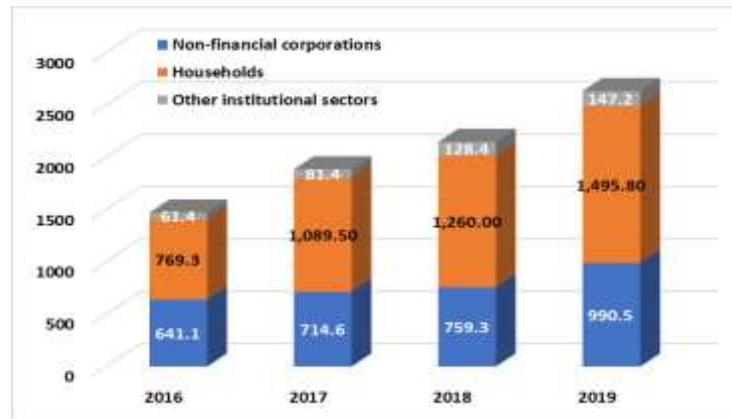


Figure 2. The evolution of cash availabilities in lei at sight from Dolj County (millions lei)

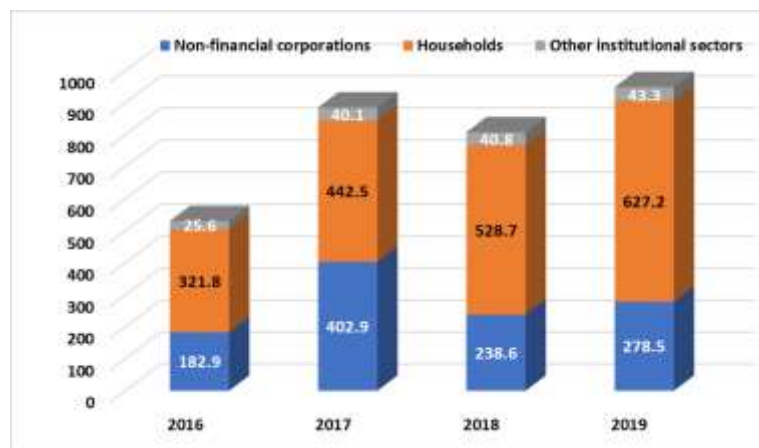


Figure 3. The evolution of cash availabilities in lei at sight from Gorj County (millions lei)

In Mehedinti County (figure 4) there is also an increase in availability during the analyzed period:

- cash and cash equivalents of non-financial corporations in lei increased by 81.1 million lei from 104.4 million lei in 2016 to 184.5 million lei in 2019;
- in the case of households, sight availability doubles, from 198.7 million lei in 2016 to 392.7 million lei in 2019.

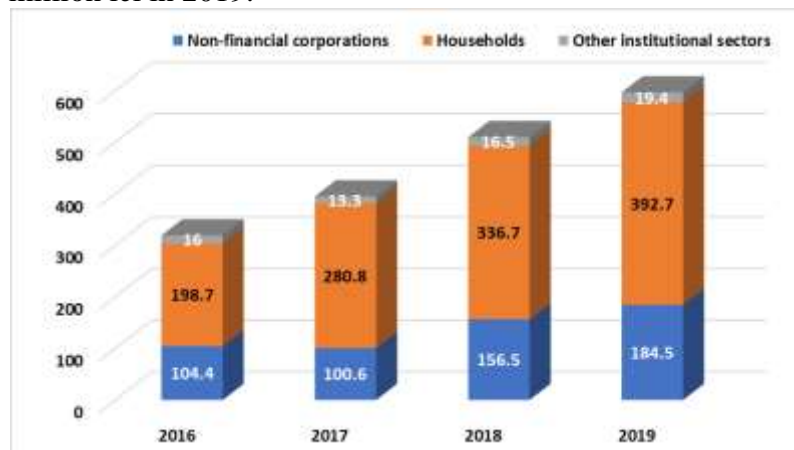


Figure 4. The evolution of cash availabilities in lei at sight from Mehedinti County (millions lei)

In Olt County (Figure 5) the cash availabilities in lei evolved positively and doubled from one year to another:

- cash and cash equivalents of non-financial corporations increased by 31.69%, from 281 million lei in 2016 to 411.4 million lei in 2019;

- in the case of households, they increased by over 100 percentage points, from 332.5 million lei in 2016 to 741.1 million lei in 2019;

-We can also observe that the institutional sectors have doubled during the four years studied (from 24.7 million lei in 2016, to 50.1 million lei in 2019).

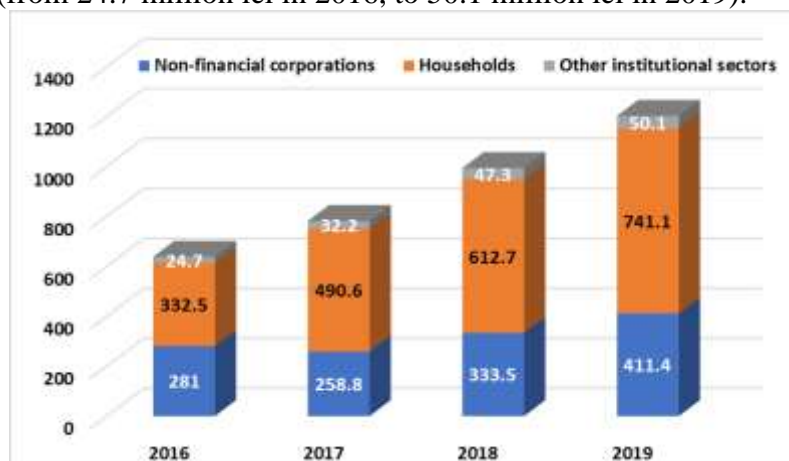


Figure 5. The evolution of cash availabilities in lei at sight from Olt County (millions lei)

In Valcea County (Figure 6) the cash availabilities fluctuate from one year to another during the analyzed period:

-Non-financial companies increase from 39.1 million lei in 2016 to 453.4 million lei in 2019;

-Populations of the population increase from 350.6 million lei in 2016, to 655.2 million lei in 2019;

-Institutional sectors have a growth trend in the first three years, and in the last year decreasing drastically (they increase from 35.9 million lei in 2016 to 49 million lei in 2018, and in 2019 they decrease to 16.1 million lei).

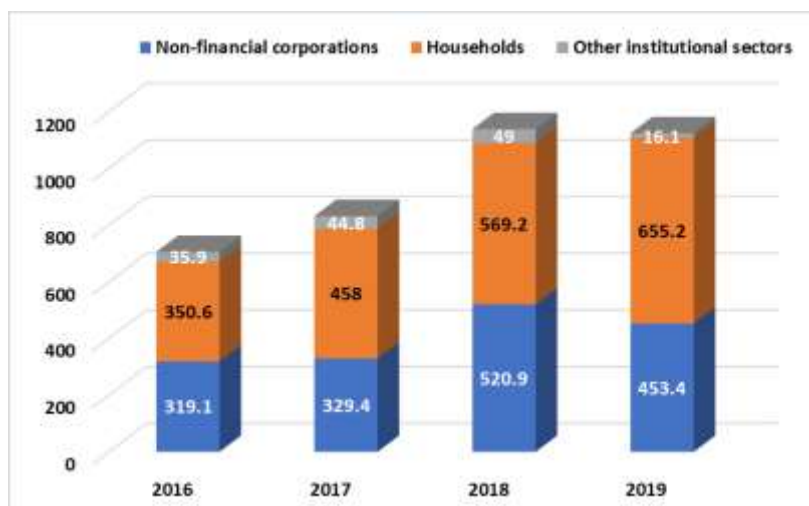


Figure 6. The evolution of cash availabilities in lei at sight from Valcea County (millions lei)

In the same interval analyzed (Table 3), foreign currency cash (also expressed in lei, in order to be easy to perform calculations) increased sharply in the South-West Oltenia Region by 1,526.6 million lei, from 1,044.2 in 2015 at 2,570.80 in 2019.

If in 2015, foreign currency cash from Dolj (table 3) was the equivalent of 421.1 million lei, in 2019 these deposits increased considerably by 708.7 million lei, reaching a total of 1,129.8 million lei. There were also increases in the other counties, but not as spectacular as in Dolj.

In this type of deposits are also highlighted the amounts received by relatives from Romanians working abroad.

Table 3.

Demand deposits in foreign exchange

-lei million-

Year	Dolj	Gorj	Mehedinți	Olt	Vâlcea	South West Region	Romania
2015	421.1	99.0	106.3	208.0	209.8	1,044.2	34,747.1
2016	538.5	126.8	147.4	180.1	226.5	1,219.3	41,122.5
2017	690.9	175.1	192.5	238.8	328.4	1,625.7	51,835.0
2018	1,306.5	231.2	251.4	298.0	405.2	2,492.30	60,502.6
2019	1,129.8	292.2	317.3	328.8	502.7	2,570.80	75,463.6

Source: [https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#pelococ\[13\]](https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#pelococ[13])

Significant increases were also registered in time deposits in foreign currency (Table 4) held by the inhabitants of Oltenia. In addition to the significant increases in Dolj County, we notice that in Gorj, Mehedinți and Olt also increased the amounts in foreign currency kept in accounts (in the form of term deposits) by approximately 50 million lei, respectively 78 million lei (Valcea).

Table 4.

Time deposits and deposits redeemable at notice in foreign exchange

-lei millions-

Year	Dolj	Gorj	Mehedinți	Olt	Vâlcea	South West Region	Romania
2015	903.6	204.8	217.1	257.6	456.8	2,039.9	59,256.3
2016	920.7	202.3	218.7	251.9	418.5	2,012.1	55,209.8
2017	952.5	206.1	220.3	282.7	416.4	2,078.0	54,751.1
2018	1,084.9	239.9	232.6	288.0	510.7	2,356.10	60,318.8
2019	1,218.3	250.7	263.7	294.4	535.6	2,562.70	62,523.0

Source: [https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc\[13\]](https://www.bnr.ro/Credite-si-depozite-in-profil-teritorial-3171.aspx#peloc[13])

In Dolj County, the cash in foreign currency of households (Figure 7) registered a significant increase in the four years analyzed of 471.2 million lei (from 347.0 million lei in 2016, to 818.2 million lei in year 2019).

According to NBR data, in Gorj (Figure 8) the population held, in 2019, in banks, cash in foreign currency, worth 250.2 million lei, more with 58.7 million lei compared to 2018.

Compared to the population, only non-financial companies deposited smaller amounts, only 39.1 million lei in 2019.

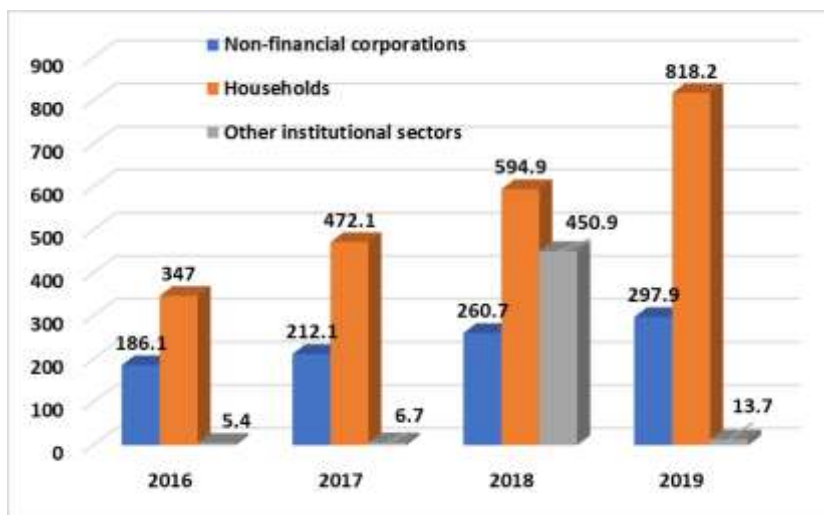


Figure 7. The evolution of cash availabilities in foreign currency at sight from Dolj County (millions lei)

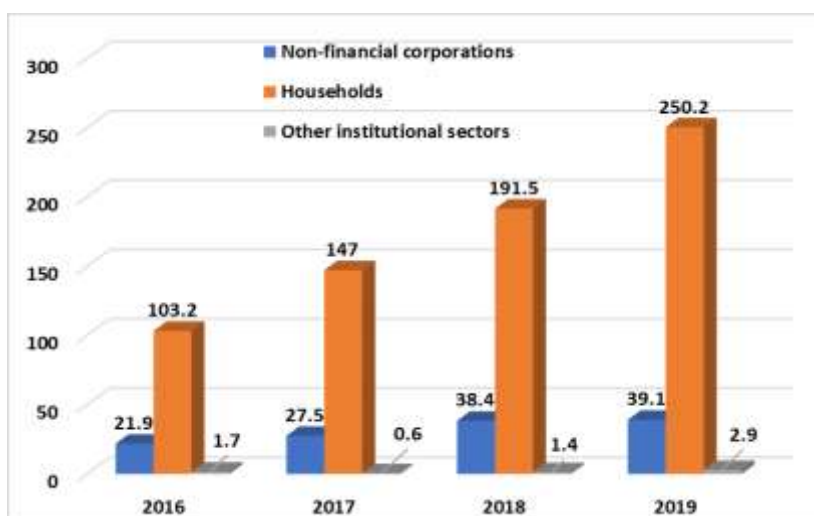


Figure 8. The evolution of cash availabilities in foreign currency at sight from Gorj County (millions lei)

Mehedinti County (Figure 9) also registered an increase in all available cash in foreign currency:

- cash and cash equivalents of non-financial corporations increased from 36.6 million lei in 2016 to 79 million lei in 2019;

- in the accounts of the population opened with banks, the volume of cash at sight in foreign currency also increased significantly, by 126.4 million lei, from 109.8 million lei in 2016 to 236.2 million lei in 2019.

These increases are due to the fact that the population that wants to save deposits their money in a foreign currency, this being a safe form of investment, even if they come with the lowest return.

Inflation, uncertainty, the allocation of money for a future purchase, in a house or in a car, which have the price in foreign currency anyway are the causes that determine the population and not only, to save in foreign currency.

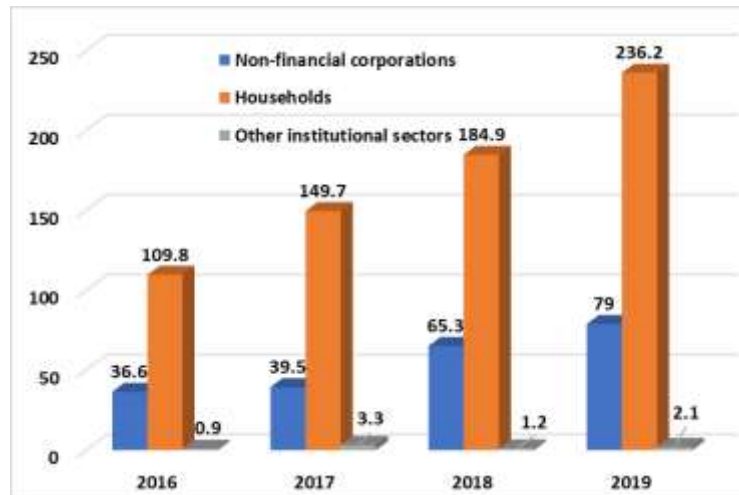


Figure 9. The evolution of cash availabilities in foreign currency from Mehedinti County (millions lei)

In Olt County (Figure 10), cash and cash equivalents in foreign currency during the analyzed period were as follows:

- For non-financial companies, they increased from 65.7 million lei in 2016 to 91.3 million lei in 2019;
- In households, the population doubled from 113.1 million lei in 2016 to 236.6 million lei in 2019;
- We can observe that the institutional sectors registered a decrease in the four years studied (from 1.2 million lei in 2016, to 0.5 million lei in 2018).

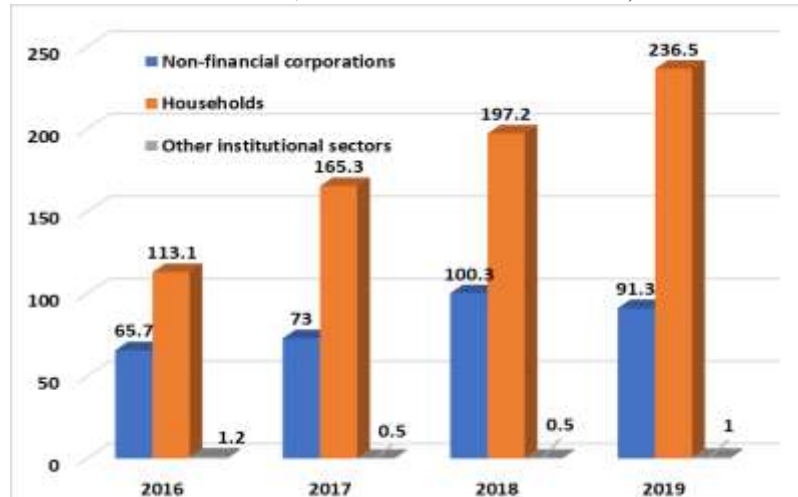


Figure 10. The evolution of cash availabilities in foreign currency from Olt County (millions lei)

In Valcea County (Figure 11) cash and cash equivalents also fluctuate:

- Cash and cash equivalents of non-financial corporations increased from 53.8 million lei in 2016 to 133.7 million lei in 2019;
- In the same analyzed interval, the foreign currency demand deposits of the households increase from 170 million lei in 2016, to 362.5 million lei in 2019;
- The institutional sectors have a growth trend in the first two years, and in 2019 it decreased (they increase from 2.7 million lei in 2016 to 7.2 million lei in 2018, and in 2019 they decrease to 6.5 million lei).

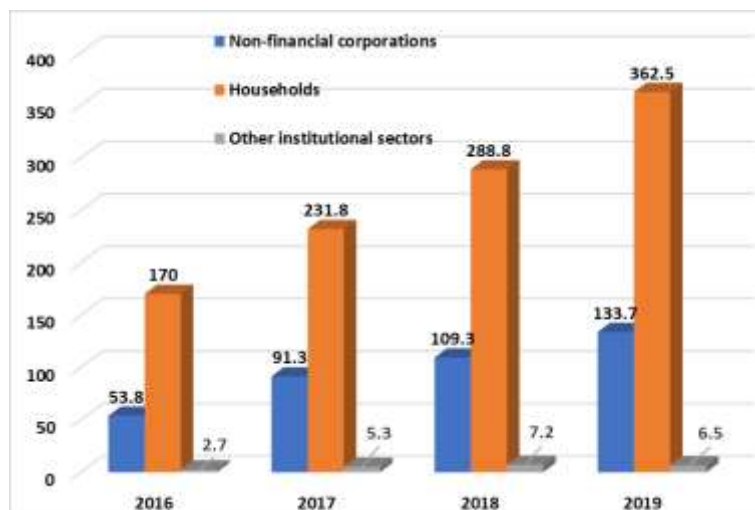


Figure 11. The evolution of cash availabilities in foreign currency from Valcea County (millions lei)

An explanation for the consistent increase in foreign currency deposits would be that many Romanians who work abroad, invest their earnings in Romania, and began to send money, either to build or to arrange existing buildings.

The orientation towards saving in foreign currency was also greatly influenced by inflation. Even if there is not necessarily a depreciation of the lei currency, the evolution of the exchange rate has influenced everyone's anticipation that the lei currency will depreciate because its intrinsic value, purchasing power is declining.

CONCLUSIONS

Interest on deposits in lei and foreign currency is quite low on the market. Thus, those who want to save may not have any financial motivation to keep their money in their accounts. However, even if the savings do not bring too much profit, it is the safest form of saving.

The reasons for those who save are multiple:

- currently earns more than they consumes;
- do not want to consume resources now, but later;
- they want to have reservations for urgent situations;
- they want things that cannot be purchased from the usual monthly income (a vacation or a car);
- they have loans, which they want to cover in advance;
- they want to be able to complete the pension in the future.

Oltenian people have deposited more money in banks, which shows that they have a tendency to save more and more. Life lived only to consume no longer seems to be seen with the same eyes by those who earn income in various forms. The public servants, as well as other people whose income most likely increased, decided to put money aside and did not spend all their salary income. This has contributed to the increase in bank deposits.

Many of the Romanians who are working abroad sent money that they were going to invest in Romania, either in building a house or in repairing or arranging the existing one.

In conclusion, the population and the companies from most of the counties of Oltenia, saved substantially during the analyzed period, being both about the bank deposits in lei, but also in their currency.

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