SURVEY ON THE VIEWPOINTS OF CREDIT BENEFICIARIES QUA CONSUMERS IN ORDER TO INCREASE BANKING ACCOUNTABILITY

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Abstract

The paper aims to demonstrate that the unprecedented granting of consumer credits to population in recent years, under the circumstances of a spectacular goods supply growth, has adversely affected some consumers, and jeopardized the protection of their life, health and safety. The research method consists in a survey that gave, to a number of 560 credit beneficiaries, qua consumers, the opportunity to freely express their viewpoints. Data collection and processing has resulted in the filling of a 14 queries questionnaire by each of the 560 consumers in the South-Western Oltenia region and, subsequently, in data analysis. The main findings show that consumers have experienced a decline in what concerns their standard of living and that sustainable consumption of goods was barely stimulated. Based on the survey results, the paper proposes a banking accountability indicators system and a consumer credits quality pattern of analysis that would increase banking accountability towards such credits by reducing their negative externalities on people's lives, stimulating sustainable consumption, giving thorough and accurate information, managing complaints and disputes, educating and raising consumers awareness.

Keywords: viewpoints of credit beneficiaries qua consumers, consumer credits, banking accountability, consumers, negative externalities, banking accountability indicators, a pattern of quality analysis of consumer credits.

JEL Classification: D18, G21, E21, E51.

Introduction

Given the impressive growth of goods supply and experiencing an exacerbation of competition, goods manufacturers and distributors were compelled to conclude agreements with banks to credit potential consumers. This approach has caused a considerable rise in the number of consumer credit beneficiaries. The readiness of banks to credit consumption made those involved in goods production and distribution to overlook the fact that their stay in competition depended on both the number of consumers lured as well as on stimulating long-term, steadfast consumption. As a result, organizations were rather concerned to easily grant consumer credits than to fully satisfy consumers' requirements or necessities.

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The development of retail banking activity by expanding the range of local and foreign currency consumer credits, with maturities that should meet the actual needs of population, is undoubtedly one of the banking system's priorities, fact proven by the unprecedented growth of e-banking services (Srinivasan et al., 2002; Rădulescu and Pîrvu, 2008).

Banks competition to win this market is focused on providing the most various categories of credits from loans for land and real estate purchase to cash loans for temporary needs.

Thus, the credits offered by banks cover, practically, the whole range of people's needs: land, buildings, cars, household appliances, modernization, studies at home and abroad, wedding parties, funerals, medical treatment, cash.

Whether the credits for real estate, cars, household appliances and so on require comprehensive documentation and strict control, those in cash are granted without being necessary that the credited provide subsequent justification supported by appropriate documentation and without any bank control over the amounts of money.

As expected, people's response to cash loans came forthwith, banks being confronted with umpteen applications for loans. In the majority of cases the amounts were, and still are, employed to cover convenience expenses, or a family's temporary expenses, litigation etc. Given the fact that this type of credits pay people's debts ensued as a consequence of the lack of financial power, there is a risk that the consumers' indebtedness exceed a certain affordability threshold, which very shortly results in default because additional expenses, incurred by interest, occur and burden family budget.

Another negative effect that banking competition growth had on this market, was the noticeable increase in real estate and property price, which impacted upon bank clients who, as a matter of fact, were supposed to have been quickly attracted.

„The profound changes that have occurred in the banks operating environment in the context of global crisis entailed organizational changes and new strategies, adapted to the present circumstances. One of the fundamentals of change is to enforce more severe financial and banking regulations which take into account not only the trends on financial markets and technological developments but also the shortcomings that arose during the crisis"(Baicu and State, 2012).

Considering that population is sensitive to bank offers, to cash loans most particularly, banking accountability becomes a highly topical and important concept. In this respect banks, although protected against financial risk of default by various insurance institutions, must select applicants more rigorously.

Nevertheless, the lending for consumption activity was achieved mostly by providing incomplete information, both by banks and producers and distributors who had misled or deceived their clients, which resulted in purchasing of goods and services that hardly meet consumers' needs. All these entailed waste of money, effort and time that, sometimes, were unsafe for consumers.

Under these circumstances, more and more credit beneficiaries, qua consumers, considered that when dealing with banks they had been wronged and any reasonable sense of fairness had been defied. It seems that litigations are still the only way one can resort to for getting banks' consideration and by which the rights of the banking products and services consumers can be observed.

Lack of education and awareness of credit beneficiaries, qua consumers, prevented them from being well informed and aware of their rights and responsibilities in what concerns both their contractual relationship with banks and their relationship with merchants and manufacturers (Firică, 2011). An organization must regard a consumer's increased level of education not as a menace but as a source of benefits. Therefore it must operate by various means to enhance consumers' state of awareness and education.

Market transparency is not always a reality; what governs the market from this point of view is advertising, whose main goal is not to provide information but to promote sales (Dinu, 2010).

Globalisation, strongly and widely experienced in recent years, has prompted companies to act alike on several markets (Riefler, 2012; Spulbăr et al., 2009), providing the same portfolio of products and services for totally different categories of consumers (Wu, 2013; Reed et al., 2012; Pamfilie, 2010). Unfortunately consumption crediting was governed by similar rules.

The incidence of external stimuli, such as experts' advice, in shaping consumer behaviour can be used to manipulate consumption and purchasing behaviour to the detriment of the consumers' legitimate interests (Jiang et al., 2013; Levav et al., 2012; Burghelea, 2010). Under these circumstances recommendations of banking specialists who credited consumption should have provided more thorough information to consumer credits applicants. Actually, they were just a bridge to emphasize the negative externalities of the banking system upon the consumers' lives and safety. The quality of consumer credit relationships and the customization of such credit offers results in the increase of clients' loyalty, these being less inclined to apply to alternative competing services (Medar, 2011).

"By corporate social responsibility companies go beyond minimum legal obligations in order to engage themselves in social needs solving. Companies, whether big or small, along with their stakeholders, can help to reconcile economic interests with the social and environmental ones" (Dinu, 2011). Environmental durability as a core element of sustainability and organizational change is a necessity for all countries, being closely related to the quality of life (Vlek and Steg, 2007). "Although the practices of accountability encountered in the Romanian corporate scenery emerged as imports of certain values and principles coming from the European context, domestic companies have taken steps to assimilate and adjust them to Romania' specific organizational culture (Obrad et al., 2011).

The current state of knowledge and research in the field converge to the idea that the main areas of organizations' responsibility towards consumers consist in people's life, health and safety protection, steadfast consumption, complete and accurate information, assistance and dispute settlement, consumers' education and awareness.

Current research in the field aims to: estimate the evolution of short-term profitability of credit institutions by developing a panel type econometric pattern, with a quarterly frequency of the time series employed, having as determinant variables the nonperforming loans ratio and real wage dynamics; assess the impact of the prudential filters application upon the indicators of bank cautiousness; improve the pattern to estimate the credit default probability, to assess the credit risk provision coverage and to test, under stress, non-financial companies in order to identify the impact upon the required level of provisions in

the case any adverse micro and macroeconomic shocks occur (NBR, *Annual Report 2012*, pp. 174-177).

In order to accomplish the research goal, our survey regarding the freely expressed opinions of the 560 credit beneficiaries, qua consumers, was based on statistical sampling and started with the establishment of the group that fulfilled the requirement of representativeness. The partial research knew two phases: during the first one we observed and processed the data selected, in the second we extended the results. At the end of our research we built and exemplified a new pattern for loans classification in the banking system able to increase banking accountability.

1. Research methodology

When total or exhaustive research is not possible, usually due to excessive expenditure, selective research enables one to gather information about an entire community by investigating just part of it and choosing a sample. The economic characteristics of the current period require, due to the decrease in overall research, that the selective research should be broadly employed in Romanian statistical practice.

The survey representativeness is a prerequisite that enables, based on the data collected, judgments and comments about the entire population of credit beneficiaries, qua consumers. For this reason when we chose the sample we took into account that the consumer credit beneficiaries should be both man and women, aged between 25 and 55 - they represent the largest category benefiting from such credits - and have an average income.

The determination of the volume (n) of the survey increases the findings accuracy and decreases the probable average error. Volume (n) is determined so as to satisfy the requirements of the confidence interval for the unrepeatable extraction (Vişinoiu, 2001).

One of the categories of qualitative variables is that with multiple choice answers according to an ordinal scale, that can be ranked based on the increase of the response contents intensity from one respondent to another, on a linear scale. In this case the quantification issue is solved through the ranks method.

On December 31, 2012 the volume of consumer credits granted in South-Western Oltenia region was as Table no.1 shows.

Table no. 1: Situation of the consumer credits granted in South-Western Oltenia region on December 31, 2012 (in Million RON)

County	Loans in RON	Loans in foreign currency	Total
Dolj	686,3	893,3	1579,6
Gorj	592,2	253,5	845,7
Mehedinți	378,4	338,7	717,1
Olt	409,2	352,5	761,7
Vâlcea	403,0	716,7	1119,7
TOTAL South-Western Oltenia			**5023.8**

Source: http://www.bnro.ro

Considering the average amount of a consumer credit of approximately 10,000 euro, a total of 5023,8 million RON correspond to 111 840 credit beneficiaries, qua consumers. We decided to study the viewpoints of 560 recipients of credits, qua consumers, so we selected a representative sample of about 0.5%. We mention that in case a respondent refused to answer the questionnaire he was replaced, in compliance with the sampling in terms of age, sex and income.

2. Data analysis and findings highlight

Once we have centralized the questionnaire data we moved to the next phase of research - findings analysis and highlight.

We divided the 14 questions into two sets. A set of five questions with five possible answers for each question and a set of nine questions with two possible answers for each question. Table no. 2 shows the centralized findings of the five questions set. The answers to questions with five possible choices were ranked on a scale from one 1 to 5. The answer that corresponds to position one is related to a state of affairs that negatively affected, in the slightest degree, the quality of consumers' life. The answer that corresponds to position five is related to a state of affairs that affected, to the utmost, the quality of consumers' life.

Table no. 2: Centralized chart of the 560 credit beneficiaries, qua consumers answers to questions with five possible choices (no. of persons)

Question	Not in the least 1	Barely 2	Slightly 3	A lot 4	Greatly 5	Average Rank (Average Rating)
1. Have the credits adversely affected the quality of your life?	45	105	61	182	167	3,58
2. Have the credits adversely affected the quality of your work relationship?	94	106	79	156	125	3,20
3. Do you consider the family relationship deteriorated due to the difficulty to reimburse credits?	60	122	73	165	140	3,37
4. Do you consider that, from a medical point of view, your health deteriorated due to the difficulty to reimburse credits?	90	113	101	161	95	3,10
5. Do you consider that your life was endangered because of the stress caused by reimbursement difficulty?	97	84	59	203	117	3,29

Source: Authors

The subsequent analysis of the scores calculated, based on viewpoints, lead us to the conclusion that the credit beneficiaries, qua consumers, felt the negative externalities of consumer credits and that the quality of their life was negatively affected (3,58). Moreover, these people faced serious problems both in what concerns their family relationships (3.37) and work relationships (3,20).

In addition, stress (3.29) caused by the reimbursement term resulted in health deterioration (3,10) of those people who chose consumer credits as a solution to the financial problems they faced.

Table no. 3 shows the centralized findings of the set of nine questions with two possible answers. Questions with two choices, namely (yes) or (no), were in turn ranked on a scale of values (-1) and (+1) respectively.

The answer (-1) corresponds to a state of affairs that affected, in a negative way, the quality of life of the credit beneficiaries, qua consumers. The answer (+1) corresponds to a state of affairs that did not adversely influence the quality of life of the credit beneficiaries, qua consumers.

Table no. 3: Centralized chart of the 560 credit beneficiaries, qua consumers answers to questions with two possible choices (no. of persons / %)

Question	Answers (no. of persons/%)			
1. Do you consider that you have been thoroughly and honestly informed about the conditions of credit granting?	YES (+1)		NO (-1)	
	186	33,21	374	66,79
2. Do you consider that you have been thoroughly and honestly informed about the consequences that could arise from non-compliance with contractual obligations?	YES (+1)		NO (-1)	
	92	16,42	468	83,58
3. After the first credit, have you applied for others to solve the problems that had led you into financial trouble?	YES (-1)		NO (+1)	
	368	65,71	192	34,29
4. Have you applied for other credits to reimburse the previous ones?	YES (-1)		NO (+1)	
	302	53,92	258	46,08
5. Have you applied for extension of maturity ?	YES (-1)		NO (+1)	
	387	69,11	173	30,89
6. Have you applied for rescheduling ?	YES (-1)		NO (+1)	
	311	55,53	249	44,47
7. Do you consider that through the instrumentality of media they acted indirectly to reschedule credits in favour of banks?	YES (-1)		NO (+1)	
	422	75,35	138	24,65
8. Did you have to sell some assets to repay the credit?	YES (-1)		NO (+1)	
	152	27,14	408	72,86
9. Do you consider you have got into this situation because of the lack of bank accountability when it came to lending to population?	YES (-1)		NO (+1)	
	403	71,96	157	28,04

Source: Authors

The response analysis based on the 5040 views expressed shows that 3187 (63,24%) respondents reckon they felt negative externalities of consumer credits in terms of quality of life, while only 1853 (36,76%) consider they did not experience negative externalities of consumer credits in terms of quality of life.

A more detailed statistical analysis of the views expressed by credit beneficiaries, qua consumers can be done by groups of questions and also by a unitary approach of data in Tables 2 and 3. Answers to questions 1, 2, 3, 8 and 9 of Table 3 reflect the banking accountability degree in the process of consumers' lending.

An analysis of the 2800 answers related to these questions show that 1765 respondents (63.04%) consider that, in the process of consumers' lending, a lack of banking accountability was manifest, as compared to 1035 (36,96%) respondents who reckon quite the opposite.

Answers to questions 4, 5, 6, and 7 in Table 3 reflect the media implication in the process of negative externalities transmission to credit beneficiaries, qua consumers, due to the aggressive advertising that encouraged people to apply for new credits in order to reimburse, refinance or reschedule others.

An analysis of the 2800 answers related to these questions show that 1422 (63,48%) respondents emphasize the role media aggressive advertising played in the process of lending, while 818 (36,52%) do not share this opinion.

Answers to questions 1, 2, 3, 4 and 5 in Table 3 show to what extent the stress factor influenced the quality of life of the credit beneficiaries, qua consumers.

The average score of the responses in Table 2 is 3,30 on a scale from one 1 to 5 which renders it significant enough to be included, alongside with the lack of banking accountability and mass-media activity, in the equation of negative externalities that influenced the quality of life of the credit beneficiaries, qua consumers.

3. Indicators of bank accountability and opportunities to improve the quality of consumer lending activity

Contradictions between banking marketing and risk management have generated controversy, the policy of banking products promotion having major qualitative deficiencies. Under these circumstances internal quality audit should act as an important lever in the process of risk management policies and banking marketing reformation (Stanisic et al., 2013). To achieve this goal the paper presents a set of indicators that may help the most accurate assessment of the risk management and products sale relationship so that negative externalities upon credit beneficiaries, qua consumers could be diminished.

Strains occurred between banking marketing and risk management were mainly generated by their somehow opponent goals. On one hand, the former aims to sell as many banking products as possible, remuneration depending on the sales volume; on the other hand the latter aims to minimize the lending activity risks, namely to filter products offered by banks, being, in its turn, remunerated according to its efficiency. It is easy to understand that the products rejected by risk management were the bone of contention. This impacted on the bank's relationship with its client. Banking marketing presented products to the client in such a manner that he should, at any cost, be enlisted in the database but, to a closer

analysis, the client faced other provisions related to price and credit granting. Under these conditions the number of complaints increased.

The operational procedure of complaint handling uses two indicators (Ilie and Negulescu, 2010):

- (I_1) **the level of complaints resolution** calculated as the ratio between *the number of complaints solved and the total number of complaints (%)*;
- (I_2) **evolution of complaints** calculated as a ratio between *the number of claims during the period of time considered, and the number of complaints during the basic period of time (%)*.

We reckon these are volume indicators and they do not analyse the causes that determined complaints. In our view, along with the mentioned ones, two additional indicators - not approached in theory or practice so far - should be used:

- (I_3) **the level of complaints against risk management** as the ratio between *the number of complaints against risk management and total number of complaints (%)*;
- (I_4) **the level of complaints against marketing** as the ratio between *the number of claims against banking marketing and total number of complaints (%)*;

Thus management at its highest level can have a real understanding of the causes that altered the client-bank relationship and can act accordingly to meliorate it.

In recent years risk management has been in a delicate position, in that the sales staff, from executants to high level management, put pressure on it as they pursued one major goal - to raise profits and conquer new market segments.

This is in fact, the topic that, during the past years, prompted specialists to deal with credit risk, starting from failures to the new, future approaches (Aebi et al., 2012; Bedendo and Bruno, 2012; Ilie, 2010; Beju, 2008; Orăştean, 2011; Georgescu, 2012; Iuga, 2009). Under these circumstances we consider it appropriate to employ the two additional indicators proposed (I_3 and I_4), beside those already used in practice (I_1 and I_2), so as bank marketing and risk management relations, during the crediting process, be rendered normal.

The unitary application of the four indicators (I_1, I_2, I_3 and I_4) along with a more detailed analysis of the relation between risk management and bank marketing, in the field of internal quality control, can reveal, at banking marketing level, incompetence, concern to obtain additional fees, client' erroneous information and incompetence, corruption, abuse of office at risk management level.

Some basic elements are necessary to calculate indicators I_1, I_2, I_3 and I_4:

- **Input data** - the endorsed not anonymous customer complaints, special book of complaints, specialized staff, infrastructure;
- **Output data from the operational procedure -** letters of response to solve clients' complaints and analysis reports, the latter being input data for management analysis;
- **Support processes** - Legal Assistance.

Based on the survey findings, the impact the nonperforming credits had upon the domestic economy, on the characteristics of the risk management and bank marketing relation, as well as on the requirements of achieving qualitative lending we propose a system of indicators of banking accountability which has not been tackled in theory or practice so far but which can, if implemented, provide managers at the highest level the best solutions to

increase the quality of consumption lending activity. These indicators will analyse the quality of work in both sales and risk analysis departments.

Within this system, in order to assess the quality of work in sales department we propose the calculation and use of two indicators as follows:

- **the degree of rejection of the products analysed** calculated as the ratio between *rejected products and the products analysed (%);*

- **products quality** calculated as the ratio between *products rated "n" and the total products analysed (%).*

One can notice that these indicators can be calculated only after the risk management department analysed products. In this way the junction between risk management and banking marketing is achieved. The use of the latter indicator is so much more important as banks are required to classify the quality of the loan portfolio and to establish specific provisions of interest and risk for all loans except those assigned in the quality class "standard".

To assess the quality of work of those in products analysis departments we propose that two relevant indicators be calculated and employed:

- **the degree of products deterioration** calculated as the ratio between *arrears and the analysed products (%);*

- **the level of nonperforming products** calculated as the ratio between *the products for which foreclosure was initiated and arrears (%).*

The use of this system of banking accountability indicators would have a positive influence on a bank's employees annual assessment, currently very shallow, as it consists mainly in tests related to interest rates, fees, terms of loan granting and such, and less in tests that regard the quality of their proper activity. After the evaluation, they calculate an indicator as the ratio between *the number of employees rated "very good" and the number of evaluated employees (%).* This indicator is hardly relevant if the indicator system proposed above is not taken into account during assessment.

For an accurate measurement of the quality of sales and analysis we recommend that the four indicators should be used all together.

All four indicators proposed refer to quality and not to volume, the former being likely to become, in case they are used, not only a requirement to carry out the whole activity but also an effective way to solve deficiencies in the banking products promotion and analysis.

Recent studies show that at the national economy level the loan portfolio quality had deteriorated (Petria and Bădulescu, 2010). In recent years international agreements regarding loan classification have showed their limits (Arnold et al., 2012; Klomp and Haan, 2012; Zăpodeanu and Gall, 2009). Based on these facts, on the survey findings particularly, we propose a pattern, not approached in theory or practice so far, to analyze the quality of consumer credit; it allows the analysis of each class of quality in its structure, depending on the quality the products had when granted (table no.4.).

**Table no.4: Pattern proposed to analyse the quality of consumer credits,
considering the quality they had during the previous reporting period**

		Quality of consumer credit during the previous reporting period (j)				
		Standard (rated 1)	Under observation (rated 2)	Substandard (rated 3)	Doubtful (rated 4)	Loss (rated 5)
Consumer credit quality at current reporting date (i)	Standard (rated 1)	X_{11}	X_{12}	X_{13}	X_{14}	X_{15}
	Under observation (rated 2)	X_{21}	X_{22}	X_{23}	X_{24}	X_{25}
	Substandard (rated 3)	X_{31}	X_{32}	X_{33}	X_{34}	X_{35}
	Doubtful (rated 4)	X_{41}	X_{42}	X_{43}	X_{44}	X_{45}
	Loss (rated 5)	X_{51}	X_{52}	X_{53}	X_{54}	X_{55}

Source: Authors

In the pattern proposed, X_{ij} represents the volume of consumer credits rated "i" at the current reporting date but which at the previous reporting date were rated „j". Under these circumstances the level of the specific provisions of credit risk and interest would be calculated as follows:

$$P_1= C_1X_{11}+ C_{12}X_{12}+ C_{13}X_{13}+ C_{14}X_{14}+ C_{15}X_{15}$$
$$P_2= C_{21}X_{21}+ C_2X_{22}+ C_{23}X_{23}+ C_{24}X_{24}+ C_{25}X_{25}$$
$$P_3= C_{31}X_{31}+ C_{32}X_{32}+ C_3X_{33}+ C_{34}X_{34}+ C_{35}X_{35}$$
$$P_4= C_{41}X_{41}+ C_{42}X_{42}+ C_{43}X_{43}+ C_4X_{44}+ C_{45}X_{45}$$
$$P_5= C_{51}X_{51}+ C_{52}X_{52}+ C_{53}X_{53}+ C_{54}X_{54}+ C_5X_{55}$$

Where:

P_1, P_2, P_3, P_4, P_5 represent the level of the specific provisions of credit risk and interest corresponding to each category of classification of consumer credits.

X_{ij} represents the volume of consumer credits rated „i" at the current reporting date but which at the previous reporting date were rated „j". These will be calculated with the help of a relatively simple computer application by each bank which, at the end of each month, will divide the credits in each risk class according to the pattern in Table no. 4.

C_1, C_2, C_3, C_4, C_5 represent the provisioning coefficients for each class of credits. These are currently set by the National Bank regulation concerning the classification of credits and investments, respectively 0.07 (standard), 0.08 (under observation), 0.23 (substandard), 0.53 (doubtful), 1 (loss) - for foreign currency credits; respectively 0 (standard), 0.05 (under observation), 0.2 (substandard), 0.5 (doubtful), 1 (loss) - for credits in RON.

C_{ij} represent the provisioning coefficients for consumer credits rated „i" at the current reporting date but which at the previous reporting date were rated „j". These would also have to be set based on the regulation for the classification of credits and investments,

separately for each class of credits X_{ij} being lower than the coefficients set by law C_1 C_2 C_1 C_4 C_5 for each class of credits if (i) < (j) and higher if (i) > (j), as follows:

$$C_1>C_{12}>C_{13}>C_{14}>C_{15}>0 ,$$
$$C_3>C_{21}>C_2>C_{23}>C_{24}>C_{25}>C_1 ,$$
$$C_4>C_{31}>C_{32}>C_3>C_{34}>C_{35}>C_2 ,$$
$$C_5>C_{41}>C_{42}>C_{43}>C_4>C_{45}>C_3 ,$$
$$1,1>C_{51}>C_{52}>C_{53}>C_{54}>C_5$$

To illustrate the model we started from the situation of loans classification granted by credit institutions (gross exposure) between 2008-2012, as presented in Table 5 (according to data from the National Bank of Romania for the period December 2008 - December 2012).

Table no. 5: Situation of loans classification granted by credit institutions – gross exposure – between 2008-2012 (in Million RON)

	2008	2009	2010	2011	2012
Total of which:	192,478.9	193,325.7	205,658.7	219,451.5	210,402.7
Standard (rating 1)	118,628.5	103,710.3	96,456.2	101,612.3	90,868.7
Under observation (rating 2)	47,370.0	43,156.4	44,216.2	42,820.0	33,551.6
Substandard (rating 3)	13,906.2	16,896.2	22,182.8	23,925.7	23,056.8
Doubtful (rating 4)	3.993,3	6.628,8	9.091,3	10.181,8	13.560,8
Loss (rating 5)	8.580,9	22.934,0	33.712,2	40.911,7	49.364,8

Source: http://www.bnro.ro

If we applied the provisioning coefficients (in foreign currency) to gross exposure in table 5, as they are established by National Bank' regulations respectively 0,07 (standard), 0,08 (under observation), 0,23 (substandard), 0,53 (doubtful), 1 (loss) we would obtain a provisioning level of 70,900.0 million Ron for 2012 and 62,349.4 million Ron for 2011.

Considering the evolution of credit quality between 2008-2012 we assume, for December 31, 2012, a credit quality structure based on the quality they had on November 30, 2012 as table no.6 shows.

Taking into account the provisioning coefficients restrictions in foreign currency in the pattern proposed, the level of total specific provisions for credit risk and interest (P) as well as for each class of risk (P_1, P_2, P_3, P_4, P_5) on December 31, 2012 would be calculated as follows:

$P_1= 0,07 \times X_{11} + 0,06 \times X_{12} + 0,05 \times X_{13} + 0,02 \times X_{14} + 0,01 \times X_{15} = 4.443.6$ million Ron
$P_2= 0,15 \times X_{21} + 0,08 \times X_{22} + 0,078 \times X_{23} + 0,075 \times X_{24} + 0,073 \times X_{25} = 3.624,9$ million Ron
$P_3= 0,45 \times X_{31} + 0,30 \times X_{32} + 0,23 \times X_{33} + 0,19 \times X_{34} + 0,11 \times X_{35} = 7.041,2$ million Ron
$P_4= 0,88 \times X_{41} + 0,76 \times X_{42} + 0,64 \times X_{43} + 0,53 \times X_{44} + 0,38 \times X_{45} = 9.419,3$ million Ron
$P_5= 1,08 \times X_{51} + 1,06 \times X_{52} + 1,04 \times X_{53} + 1,02 \times X_{54} + 1 \times X_{55} = 51.821,9$ million Ron
$P = P_1+ P_2+ P_3+ P_4+ P_5= 76.350,9$ million Ron

In case the pattern proposed by us were employed, the specific provisions for credit risk and interest on December 31, 2012 would be 76,350.9 million Ron compared to 70,900.0 million Ron determined above if they apply the current method of calculating enacted by

the National Bank regulations. There would be thus an increase of about 7.68 per cent of the provisions which would increase banking accountability in the process of consumer lending.

Table no. 6: Pattern proposed for analyzing the credit quality on December 31, 2012 based on the quality they had on November 30, 2012 (Million RON)

		Credits quality during the previous reporting period (November 30, 2012)					Total 31.12. 2012
		Standard (rating 1)	Under observation (rating 2)	Substandard (rating 3)	Doubtful (rating 4)	Loss (rating 5)	
Credits quality on current reporting (December 31, 2012)	Standard (rating 1)	39,237.1 (X_{11})	14,484.4 (X_{12})	9,950.1 (X_{13})	5,851.9 (X_{14})	21,345.2 (X_{15})	90.868,7
	Under observation (rating 2)	14,487.5 (X_{21})	5,348.1 (X_{22})	3,673.9 (X_{23})	2,160.7 (X_{24})	7,881.4 (X_{25})	33.551,6
	Substandard (rating 3)	9,955.9 (X_{31})	3,675.2 (X_{32})	2,524.7 (X_{33})	1,484.8 (X_{34})	5,416.2 (X_{35})	23.056,8
	Doubtful (rating 4)	5,855.5 (X_{41})	2,161.5 (X_{42})	1,485.0 (X_{43})	873,3 (X_{44})	3,185.5 (X_{45})	13.560,8
	Loss (rating 5)	21,315.7 (X_{51})	7,868.7 (X_{52})	5,405.4 (X_{53})	3,179.0 (X_{54})	11,596.0 (X_{55})	49.364,8

Source: Authors

This increase in reserves is so much the more necessary as the volume of loans in loss category (in gross exposure) on December 31, 2012 increased by approximately 5.75 times compared to December 31, 2008 (8,580.9 million Ron on December 31, 2008 and 49, 364.8 million Ron on December 31, 2012, according to table no.5).

The employment in the loan classification system of the pattern built in this paper is necessary due to the new challenges faced by the Romanian banking system and is technically feasible because the provisioning coefficients are established through the National Bank regulations and applied uniformly by every bank.

„The loan portfolio quality remains vulnerable for the Romanian banking system balance sheet, within the context of the pressure exercised upon the borrowers financial condition and of the lending activity restriction...For instance, this was the case with population portfolio, where about 70 per cent of the underperforming borrowers (who had either real estate loans or consumer loans secured by mortgages) were in default for more than a year or had experienced multiple defaults (in June 2013)" (NBR, Financial Stability Report 2013, p. 47, p.143).

In this context the use of the pattern is possible precisely because the banking field is strongly regulated by the National Bank permanently concerned to reduce risk so much the more that, by end of the year, it has to draw up a study regarding the causes that led to the accumulation of non-performing loans within the banking system and to propose a plan to restructure these loans, consistently with the commitments made by the Government to the International Monetary Fund and European Commission.

The main advantage of the enactment by the national banking authority of the pattern proposed consists in the increase of banking accountability towards the consumer credit

beneficiaries as banks would be more interested that, at the end of each reporting month, the classes of credit, inferior at the time preceding the reporting date, should ascend to a superior class. At the same time banks would be "taxed" by the increase of the volume of provisions in case there is a deterioration of the credit classes at the reporting date compared to previous reporting periods.

To present the elements in this form can also be a major point of departure in the determination, in a dynamic view, of some mathematical models (Pociovălişteanu, 2008) able to render, as accurately as possible, the changes in the structure of the banking products quality as well as the causes that generated these changes.

It would also allow a better correlation with the effects of the implementation of the Enterprise Resource Planning (ERP) Systems as management instruments of the organizational performance, related to the processes of the organisations and their accounting and control systems (Dumitru et al., 2013; Dincă, 2011).

Determination of the quality of the credit portfolio granted to consumers, with the proposed pattern, could allow an interesting analysis regarding the workforce migration phenomenon at European level and to what extent the quality of such credits could impact on this process in the sense of stimulating or restricting it (Dequiedt and Zenou, 2013; Pociovălişteanu and Zgovancu, 2011).

Conclusions

One of the main research topics regarding financial stability tackled in 2012 was the improvement of the estimating default probabilities pattern for non-financial corporations, by introducing a macroeconomic module.

This survey aimed to develop a model of connection between the estimated default probabilities at individual level and the rate of companies' non-performance registered in economy. The use of this module helps to improve the credit risk assessment pattern for nonfinancial companies.

The instrument is additionally used to assess the coverage with provisions for the expected credit risk associated with corporate portfolio, to test under stress the non-financial corporation sector and to identify the impact upon the necessary level of provision for the cases when micro and macroeconomic unfavourable shocks occur (NBR, *Annual Report 2012*, p. 177).

The survey results on the viewpoints expressed by the 560 credit beneficiaries, qua consumers in the South-Western Oltenia region demonstrate that the past years' unprecedented consumer credits granting, under the circumstances of a spectacular goods supply growth, has negatively affected part of the consumers, jeopardized their life, health and safety protection and had barely stimulated steadfast goods consumption.

Although during the past three years credit beneficiaries, qua consumers, have acquired considerable legal skills to address banks more boldly in case they were wronged, suing is hardly a measure of the future. Unfortunately, litigations seem to be the only way one can get banks' consideration and by which the rights of the banking products and services consumers are observed.

Therefore we believe that, in order to settle the problems related to the steadfast goods consumption and the credit beneficiaries' rights, qua consumers two directions should be followed. The former should start from within banks by solving the disagreement between risk management and banking marketing in which sense the paper proposes a system of indicators of bank accountability and the latter from within the national banking authority that should enact the pattern of consumers credit quality analysis proposed in the paper. Both directions will lead to increased banking accountability towards consumer credit by reducing their negative externalities on people's lives, stimulating steadfast consumption, giving thorough and accurate information, managing complaints and litigation, educating and raising consumers awareness.

We reckon that this issue remains open to further applied research as some of the solutions proposed are likely to be improved. This field of study is open to new approaches, to improved techniques and methodological variants that should render the measuring procedures more adequate for the complex issues that are in a relative change, peculiar to banking field.

As a rule, the more complex the activities, the greater the need to plan, search for strategies and formal and systematic actions. The level of uncertainty and risk is very high within the field analysed and planning plays an important part in the attempt to reduce this uncertainty. In essence, the develop strategies in this area requires a clear and systematic structuring of the means by which goals can be achieved through a long or short-term judicious allocation of resources. Any initiative of this kind must consider the most important aspects of planning: to be acquainted with both bank products destined for consumption crediting and with the requirements of credit beneficiaries, qua consumers.

For the period to come, we shall proceed research in the field and propose a mathematical pattern of economic dynamics that should determine the evolution of consumer credit quality, taking into account other selective research, family budgets, studies related to the new banking products launch on the market, statistical yearbooks, some products degree of substitutability and complimentarily, buyers behaviour.

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