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Evolution of Real Earnings to Residents` Deposits According to Maturity during the Period 2011-2015. Study Case Romania vs. Turkey

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Abstract *This article is analyzing the evolution of real earnings obtained by the credit institutions in Romania and Turkey during the period 2011-2015 based on the reports submitted by the credit institutions according to the legal provisions in each country. The results of this analysis pointed out an increase of 12.87% of the real earnings coming from the term deposits granted to the residents in Turkey during the period 2011-2015 following a national policy of encouraging the process of savings in national currency. During the same period, the real earnings coming from term deposits granted to the residents had a slow increase of 8.12% due to the using by the credit institutions in Romania of an extremely low interest rate.*

Key words Resident deposit, comparison analysis, Romania, Turkey, interest rate

JEL Codes: M31, G21

1. Introduction

During the recession period that followed the financial crisis from 2008 – 2010, most of the central banks from the European and Asian countries proceeded to the significant reduction of the monetary policy interest rate in view of avoiding some macro-economical unbalance.

Under these circumstances, the sales volume of the term deposits granted to the population was strongly affected and the liquidities attracted into special accounts at certain clearly established terms decreased progressively following the quick and ample reduction of the interest rates by the credit institutions. A consequence of these changes was the cost increase of the internal deposit funds and the volume decrease of the banks financing sources. These were forced to find other external financing sources, under the manifestation of a strong liquidities crisis at the level of the international markets.

In Turkey the slow increase of the crediting and the dramatic depreciation of the Turkish lira compared to the dollar exercised multiple financial pressures on the banks. Although it is among top 20 most industrialized countries in the world, Turkey had numerous problems concerning the attraction of funds from the consumers and from the other national and international financial institutions.
The population had the tendency to hold most of the savings in short term deposits in order to avoid blocking the liquidities on long term with uncompetitive interest rates (Berk, 2015).

In Romania, the decrease of the deposits volume, the main financing source on the banking market, had a direct and negative impact on the liquidities of the credit institutions. Despite the turbulences manifested on the international markets, maintaining the inflation rate at a low level within the Romanian economy has favored the keeping of a low interest level.

Under these circumstances, the monetary policy interest rate continues to be close to the minimum effective limit. The European Central Bank took measures to reduce the key interest rate to 0.05%. BNR (National Bank of Romania) maintained the decreasing cycle initiated in July 2013 of the monetary policy interest rate from 5.25% to 3.50% in 2014 and 1.5% in 2015 (Fitch, 2000).
The vulnerability of the Romanian banking sector caused by the dependency on the external financial resources has reduced significantly during the last years in view of counterattacking the process of financial disintermediation as well as amplifying the strategies of stimulating and accelerating the funds attraction from the local market. Even under the conditions of using some low interest rates, the deposits attracted from the non-banking clientele on short term continue to be the main financing source of the banks in the domestic banking system (DiVanna, 2010).

1.1. Purposes and objectives

In this paper, we aimed to analyze the real earnings resulted from the term deposits granted to the households of the population in Turkey by comparison to the ones in Romania during the period 2011–2015, under the conditions of some markets that are constantly confronting with difficulties related to the attraction of new financing sources. The modification evolution of the value volume for the term deposits is studied under the conditions of some major fluctuations of the exchange rates of the two countries' currencies (Turkey and Romania), the infusion of new financing sources from external financing institutions, the modification of the interest rates (fixed and variable) for the banking products and services, the change of the monetary policy strategies, as well as of the national and European legislation regarding the deposits. The main objectives of this study are:

‒ Comparison analysis of the value volume trend of the term deposits attracted from the population in the two countries in the following currencies: USD, EUR TRY and RON;

‒ Comparison analysis of the share of the demand deposits and the distribution of the term deposits with maturity of 1 month, 3 months, 6 months, 1 year and over 1 year in the two countries;

‒ Comparison analysis of the interest rates for the term deposits practiced in the two countries in the reference currencies USD, EUR as well as in the national currencies TRY or RON.

2. Literature review

In Turkey, the term deposits are regulated by Order no. 2002/1 published in the Official Journal no. 24710 and Law 4/I and I-40 .II-B issued by the Central Bank of the Turkish Republic. In article 2 letter C of the present Order no. 20012/I, the deposits formed on the country territory are classified into savings accounts, deposits granted by official institutions, deposits granted by commercial organizations, deposits granted by credit institutions and deposits granted by other institutions (Göksel, 2016).

The banks in the Republic of Turkey can attract deposits from the population within the conditions of obeying the regulations in force as well as Regulation no. 5411/19/11/2005 and Law 61/2014 regarding the methodology of opening deposits accounts for the resident and nonresident population. Article 8 letter C of the present regulation classifies the term deposits with maturity of 1 month, 3 months, 6 months, 1 year and over 1 year (Göksel, 2016).

Among the banks with the biggest financial assets at the level of the Turkish banking sector we can name Yapi Kredi, Garanti Bank, Turkiye is Bankasi, Ak Bank, Vafik Bank, TEB Bank and Deniz Bank. These credit institutions put at the population's disposal varied offers for term deposits in TRY, USD and EUR offering much higher efficiency at the savings accounts compared to most of the European banks. The fixed interest rates of the deposits oscillate between 4.5 – 10%/year (in TRY), although the real rate is oscillating depending on the currency, the amount and the period for which the deposits are formed (Türker, 2015).

In Romania, attracting and forming term deposits is regulated by Regulation no. 4/2014 related to the reporting of statistical data and information published in the Official Journal Part I 602/13.06.2014, OUG no. 99/2006 regarding the credit institutions and capital adequacy, Regulation 2/2016 regarding the determination and the payment of the contributions to the Bank Deposits Guarantee Fund according to the risk degree and Regulation (EU) 575/2013 of the European Parliament and of the Council dated May 21st, 2013 regarding the European system of national and regional accounts in the European Union (SEC 2010), published in the Official Journal of the European Union, series L, no. 174/2013, including subsequent amendments and additions (DiVanna, 2010).

According to Regulation no. 4/2014, among the assets and liabilities of the institutional units defined in the European system of national and regional accounts in the European Union (SEC 2010) there are the deposits which include: overnight deposits (current accounts carrying or not an interest, demand deposits and traveler's checks) term deposits which can't be turned into cash before a pre-established fixed term or which can be turned into cash before the agreed term only by paying some penalties. The term deposits are formed for: between 2-7 days, 15 days, one month, 3 months, 6 months, 9 months, 12 months, 24 months and over 2 years. The biggest financial assets are held, at the level of the Romanian banking sector, by banks such as: Romanian Commercial Bank (BCR), BRD Groupe Société Générale,Banca Transilvania, Raiffeisen Bank, UniCredit Ţiriac Bank, Alpha Bank România and Bancpost.

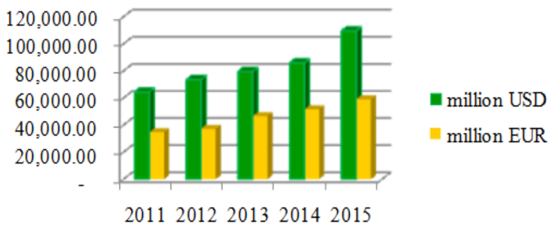
These banks offer to the banking clientele in Romania term deposits, savings deposits with regulated interest or other financial products which are automatically renewed at the maturity date, in the national currency or in other currencies (USD, EUR, etc). During the last years for the term deposits granted to the population, the fixed interest rates fluctuated between e 0.50% - 5.25% per year.

3. Methodology of research

This study aims to analyze by comparison the evolution of the real earnings coming from term deposits attracted from the population in Turkey and Romania during the period 2011-2015, based on a similar calculation methodology for the two countries, using the financial reports FINREP and COREP, the reports prepared by the Central Bank of the Republic of Turkey (CBRT) and by the Central bank of Romania (BNR). This comparison analysis between the two countries also follows the identification of the share of the term deposits formed in different currencies (USD, EUR, TRY and RON), the modifications occurred in the structure of the deposits formed for terms of 1 month – 3 months – 6 months, 1 year and over 1 year as well as the modification impact of the monetary policy strategies on the fixed interest rate for the term deposits (Day, 2009).

4. Data analysis

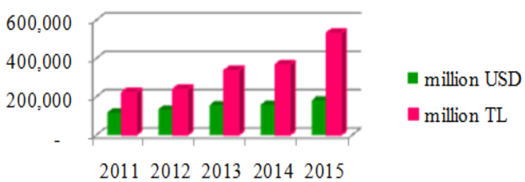
In Turkey, CBRT adopted a relaxed monetary policy, they took the decision to offer in advantageous conditions reserves in Turkish lira to the banks in the system in order to stimulate the increase of the demand deposits and term deposits from the population, they adopted measures in order to gradually increase the monetary policy interest rate and they extended the due dates for some liabilities of the banks. Under these conditions, the institutions from the Turkish banking sector reacted and they gradually increased the interest rates both for deposits and for credits, being constantly preoccupied to attract and form new higher and higher financing sources from the consumers.



Source: www.tcmb.gov.tr

Figure 1. Total time deposits in EUR and USD

During the last 5 years, the deposits attracted from the population, in Euro and dollars, increased in average with 70%. Therefore, the deposits in USD reached 109,583 million in 2015 compared to 64,566 million at the end of 2011. During the same period, the deposits in EUR increased from 34,762 million euro in 2011 to 59,003 million euro in 2015, having a yearly increase between 6%-25%. On the banking market in Turkey, an increased tendency of savings in dollars compared to Euro can be noticed (figure 1).



Source: http://www.tcmb.gov.tr

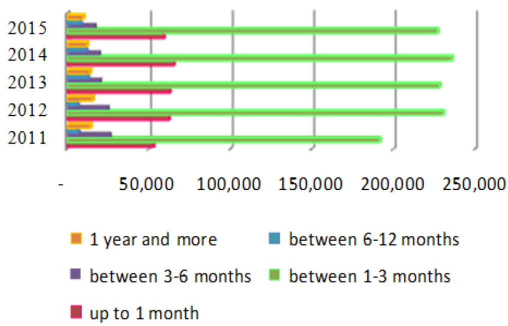
Figure 2. Total time deposits in USD and Turkish Lira

The decrease of the financing costs and the increase of the interest rates offered a real advantage to the Turkish banks which have succeeded on short term to increase the financing sources in the balance sheet, a favorable evolution which gave financial security and stability to the Turkish banking market.
Most of the term deposits in Turkish lira (TL) continue to have the maturity at 1-3 months and the actions to form deposits with maturity over 1 year are decreasing.
The deposits share increase in the Turkish banking assets was caused by some factors such as: the volume reduction of the deposit accounts in precious coins which decreased from 85 tons in 2014 to 74 tons in 2015 and the depreciation of the financial and capital titles value intended for the population's households.
In Turkey, even if the share of the deposits in the total banking assets increased significantly, the term deposits remain the main investment instrument of the physical persons.

Table 1. Situation of residents' time deposits in Turkey

Years	Total deposits					
	Sight	Whit maturity up to 1 Month	Whit maturity up to 3-Month	Whit maturity up to 6-Month	Whit maturity up to 1 Year and More	Total
	million TL	million TL	million TL	million TL	million TL	million TL
2011	113,887.12	98,017.98	361,542.55	51,623.94	34,487.55	659,559.14
2012	133,230.99	107,939.99	411,944.81	47,887.07	33,663.54	734,666.40
2013	168,927.70	131,775.69	488,817.18	51,116.03	63,118.54	903,755.14
2014	192,007.52	155,528.77	543,132.93	49,202.67	62,597.07	1,002,468.96
2015	226,133.28	173,327.63	660,657.83	61,952.15	88,376.90	1,210,447.79

Source: http://www.tcmb.gov.tr/wps/wcm/connect/tcmb+en/tcmb+en/main+menu



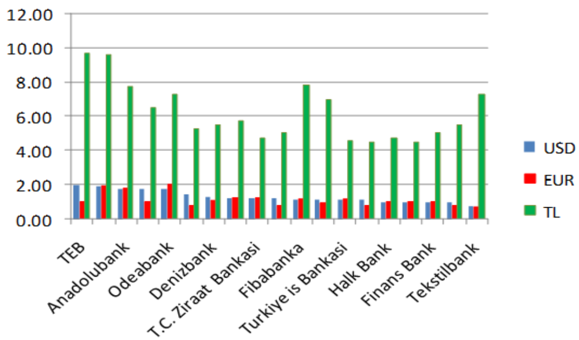
Source: http://www.tcmb.gov.tr

Figure 3. Distribution of Turkish household deposits in Euro

The demand deposits doubled during the period 2011-2015 reaching on 19.03.2016to 228,924 million TL. The term deposits formed between 1-3 months are the favorites of the Turkish consumers, registering increases between 80-90%. The smallest increases were registered by the deposits formed for 6 months, only 20% in the last 5 years. The deposits up to 1 year and more, although they were formed in lower absolute amounts, they increased with over 250% (Table 1).

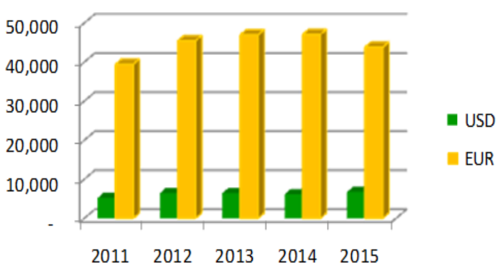
The spectacular increase of the term deposits between 1-3 months in Euro observed during the last period came from the deposits of higher size more sensitive and more volatile with regard to the interest rates (Figure 3).

For the term deposits granted for 1 year in TRY, the Turkish commercial banks offer interests between 4.75% - 9.70% per year. The best interests for the deposits in TRY are offered by the banks TEB (9.70%) and Vafilk Bank (9.60%).



Source: http://www.tcmb.gov.tr

Figure 4. Interest rates on deposits according to maturity to 1 year in Turkey in 2015



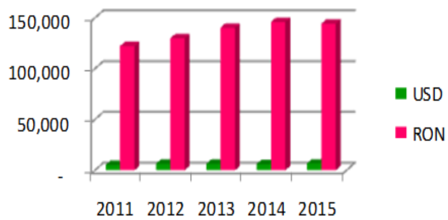
Source: www.bnr.ro

Figure 5. Total time deposits in Romania during the period 2011-2015

The situation is also similar for the term deposits formed in USD where the two banks offer interest of 2% per year. For the term deposits formed in EUR, the Turkish banks offer varied interests between 0.75%-2% per year (figure 4).

In Turkey, the real earnings coming from the term deposits granted to the population was of 12.87% during the period 2011-2015 following the use of a relaxed and efficient monetary and financial policy.

In Romania, in the context of the constant reduction of the deposits efficiency, the term deposits of the population in USD had an ample increase of 29% while the ones formed in EUR registered a moderate increase rate of 11%. This change was due to some factors such as: the increase of wage income, the dynamisation of the consumption of products and services and the reorientation of this segment towards other financial assets, more profitable (figure 5).



Source: www.bnr.ro

Figure 6. Total time deposits in USD and RON

The term deposits in RON attracted from the residents remain the main financing source of the Romanian banks. They registered a slow increase of only 18% in the analyzed period. The deposits granted by the banks to the clients suffered structural changes, the share of the term deposits increased to a higher extent compared to the demand deposits (Figure 6). The demand deposits had an increasing trend (↑80%) reaching to 41,322 million RON in February 2016. The term deposits up to 1 year remain the favorites of the Romanians, having a constant evolution (↓2%). In the conditions of a mixed evolution of the increasing rate, the share of the short term deposits (between 3-6 months) has increased to the detriment of the deposits of 1 year and more. However, the term deposits granted for a period over 1 year have increased, reaching at the end of 2015 the threshold of 12,205 million RON.

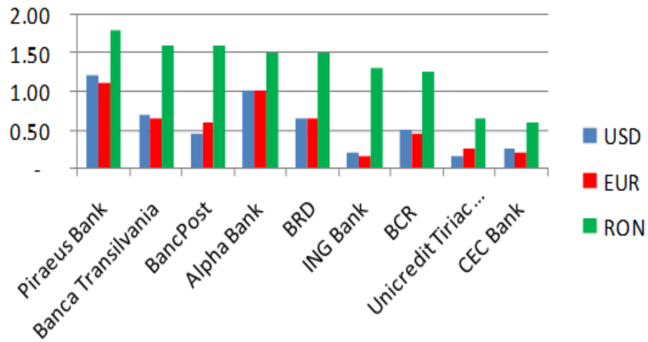
In the context of adopting by the government of a more conciliatory fiscal policy and maintaining the stimulating character of the real monetary situation, a relaxation of the monetary transmission mechanism has occurred. Under these conditions, BNR applied a monetary policy based on the successive decrease of the monetary policy interest rate.

Table 2. Situation of time deposits in Romania during the period 2011-2015

Household deposits						
Years	Sight	whit maturity				Total
		Total time deposits	Up to 1 year	More 1 year	Other currencies	
	million RON	million RON	million RON	million RON	million RON	million RON
2011	22,147	92,490	54,827	4,668	32,995	114,671
2012	23,079	99,134	55,264	5,960	37,910	122,220
2013	25,528	104,194	56,728	7,807	39,659	129,727
2014	31,354	106,628	56,395	9,992	40,241	138,018
2015	39,897	106,873	54,770	12,205	39,898	146,769

Source: www.bnr.ro

Under this context, the credit institutions proceeded to reduce the interest rates for credits and implicitly for the new term deposits. For the term deposits granted to the clients for 1 year in RON, the Romanian banks didn't offer too attractive interests in the last period. Thus, the fixed interests for the term deposits in RON practiced by the credit institutions have reached values between 0.60% - 2.40% per year.



Source: www.ziarulfinanciar.ro

Figure 4. Best interest rates on deposits according to maturity in Romania in 2015

The best fixed interests for the term deposits of 1 year in RON were offered by the banks Raiffeisen Bank (2.40%) and Piraeus Bank (1.80%).
The term deposits of the population formed in USD have intensified their increase (18%) following the use by the Romanian banks of some fixed interest rates generally higher than in the case of the term deposits in EUR. The volume variation of the term deposits in EUR (11%) decreased in the context of the progressive reduction of the interest rates. During the period 2011-2015 the real earnings coming from the term deposits granted to the banking clientele in Romania decreased with 8.12% due to the use of an extremely low monetary policy interest rate.

5. Results

In conclusion, both the Romanian and the Turkish deposits formed in the national currency, attracted from the local markets, had an increasing trend, an evolution which was determined by higher interest rates, by the increase in the population's income and by the increase of the acquisition power.
In Turkey, it was noticed a more accentuated tendency for short term savings among the banking clientele caused by the use of some interest rates much higher for the term deposits. In order to stimulate the attraction of financing sources in the balance sheet, the banks offered interest rates between 4,5%-10%, for the term deposits in TRY and 0,5%-2,5% for the ones in EUR and USD.
In Romania, in the conditions of the use of some low interest rates for the term deposits in RON, their volume had a positive dynamic during the entire analyzed period. Also the deposits in EUR and USD had a similar trajectory. The determining factors which contributed to this situation were mainly the increase of the minimum wage per economy, cashings from dividends and other rights, cashings from structural funds in certain areas of the economy.
The noted evolutions produced a position consolidation of the Romanian banks on the domestic banking market and a reconfirmation of the fact that the population's deposits represent their main financing source.
Otherwise, the income offered by this segment of consumers – the population – alleviates the vulnerability existing in the financing structure of the crediting needs by the preponderance of the deposits attracted on short term. In the context of using a more relaxed monetary policy, Turkey has obtained real earnings coming from term deposits granted to the population of 12,87% compared to 8,12% - the real earnings realized from the term deposits granted to the banking clientele in Romania.

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