The Measurement and Analysis of the Performance on Financial Situations in Credit Institutions

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Abstract

This research seeks to demonstrate and analyze the usefulness of the accounting information provided by the annual financial statements for measuring and analyzing the performance of credit institutions in Romania. The objective of this research was to understand the technical and practical activities of the financial institutions of Romania. Commercial banks represent the main category of credit institutions in our country, reflected by the level of bank assets and, implicitly, the market share. The banking sector in the market economy plays a very important role, as it acts in promoting the reform and in the concrete manifestation of the mechanism of economic self-regulation, in which it is practically a basic component of the economic and financial system of a country. It is well known that in the recent years, the majority of Romanian economic entities have rather weak financial results compared to the values registered at the level of the European Union, so the analysis of the performance of the financial statements has come to a second place. The study was conducted on two banks, namely the Romanian Commercial Bank and Transilvania Bank. The study ends with the author's conclusions regarding the measurement and analysis of the performance on the financial statements of the credit institutions in our country.

Key words

Performance analysis, performance indicators, credit institutions, financial statements, sources of information

1. Introduction

The fact that, after 1989, the Romanian economy has opened up to the European market, it has also marked the banking system in our country, defending the need to develop and adapt its internal operating systems - to the international economic and social requirements and practices. At the same time, the competitive pressure on the financial and banking market in our country, caused by the infusion of foreign capital, created the premises for the development and diversification of the banking activity, resulting in new banking products and services, speeding up, also, the diversification of settlement instruments, accounting and control systems upgrading, as well as computerization of data transmission systems of accounting nature.

In economic practice, the annual financial statements are known as the abbreviated balance sheet - considered to be the most representative recording and control tool used in accounting, useful for analyzing the financial situation and characterizing the economic activity of a credit institution in a particular management period, both in its entirety and at various stages of the economic circuit, indicating the financial result obtained at the end of the year.
Thus, capitalization efforts and competitive pressure have led credit institutions to develop a modern territorial network that responds fully to the requirements of consumers of banking products. The preparation of financial statements is of equal importance for both those who prepare them and the users of financial information.

In the accounting practice, the annual financial statements are the opening and closing of an accounting cycle, a generator of the correlated and verified information portfolio that expresses all aspects of the economic activity. Successful management of a business involves understanding the systemic relationships between the basic elements of the credit institution’s investments, operations and financing, and the impact of the decisions taken on them. An important contribution to achieving the development goals set by the banking sector is the measurement and analysis of the performance of credit institutions. The actual knowledge of the patrimonial situation, its ability to generate profit, can be ensured by using the information in the financial statements of the credit institutions.

2. Theoretical foundations and literature review

Credit institutions can not accurately determine their occurrence, but it is certain that before there was the currency, the credit, the payments - elements that in fact form the main object of banking activity.

In the banking system, the analysis of economic literature demonstrates the absence of a single opinion on the definition of the concept of performance in credit institutions and the principles of an adequate management. The views on the origin of credit institutions are different.

Some researchers consider that the first bankers were the money-changers, a moment associated with the emergence and circulation of the coin, and others believe that the notion of bank is associated with the moment when a group of people had the idea of receiving cash form of deposits, from those who wanted to make savings and based on these deposits to lend to those who needed additional funds. Thus, the issue of banking measurement and analysis such as the usefulness of information from financial statements to credit institutions is a challenge for the specialists in the field.

At our country level, banking practice originates in antiquity, as confirmed by the evidence discovered in the area of the former gold mines of Traian Dacia at Alburnus Maior, between 1786-1855 consisting of 55 stone plates, and the 13th stone contains details of the contract for the establishment of a banking institution.

The main clauses of the contract referred to the fact that banks granted short-term loans and that the profit obtained from the interest charged on the loans was to be divided equally between the associates.

In the modern period, the first attempts to create a bank date back to the mid-nineteenth century when, in 1856, Moldavia’s Ruler Grigore Alexandru Ghica, supported by a series of economists from his entourage, signed a concession with the German banker F.I. Nulandt, for the establishment of the first Romanian issue bank, called the National Bank of Moldavia, which had German, English, French and very little Romanian capital.

The bank functioned only a year, and then went bankrupt, although the economic circumstances of the moment were favorable. In 1865, the Romanian Principalities founded in and functioned the House of Deposits and Consignments, the first modern commercial bank that did not require an initial capital, since it was to receive in the administration and for fruitful deposition of volunteers, court deposits and binding administrative deposits.

Cash availability was capitalized in the form of loans to both the state and individuals. It operated under the conditions set up at the time of establishment, until 1880, when the Bank of Economy was created by reorganization as an annex to the House of Deposits and Consignments. Subsequently, in the same year, the Bank of Romania was formed - as a joint stock company and which, unlike the Deposit and Consignment House, had a subscribed capital of FRF 40 million.

It was originally established as a commercial bank and issue bank by the English and French investors who run the Imperial Ottoman Banque, a bank founded in Constantinople, to pursue all the financial operations of the Ottoman Empire, including the Romanian Principalities.

The most important bank established during this period was the National Bank of Romania, whose establishment marked the beginning of the development of a new and modern banking system.
The state acted as a shareholder in the National Bank of Romania until 1901, when it had to sell its share to cover part of the budget deficit created by the economic crisis of 1899-1900. After this date, the National Bank of Romania became a private institution. With the monopoly of money issuance, the bank enjoyed only a short period of time (4 years), because in 1869 the government, in return for compensation, revoked this right, and the institution continued to function as a private commercial bank until its liquidation to the communist regime in 1948.

The economic progress that accompanied the consolidation of the Romanian state and the aid granted by the National Bank of Romania accelerated the process of setting up private commercial banks. The intensification of banking activity in Romania continued also during the war, the position of neutrality adopted by our country at the beginning of the global conflagration, allowing the identification of new trade opportunities with the states involved in the conflict, which led to its sustained growth with favorable implications and banking activity.

In the period before 1990, the Romanian banking system consisting of a small number of banks was organized as a centralized bank system with a state monopoly - a system characteristic of a centralized economy. In addition to the National Bank, several banks, such as: the Romanian Foreign Commerce Bank, the Bank for Agriculture and Food Industry and the Investment Bank (specialized banks), whose main objective was to pursue the party and state policy in the banking field and providing banking services in several priority sectors of the economy: foreign trade, agriculture and investment. In addition to these banks, the House of Savings and Consignations (C.E.C.) - an institution specialized in attracting a part of the population’s money income, as well as in the granting of credits to individuals, also carried out its activity in socialist Romania.

The specialized banks and alongside them - the House of Savings and Consignations (C.E.C.) continued their activity after 1989 as commercial banks with state capital, managing to adapt to the specific problems of the banking system and remaining among the most representative credit institutions in our country.

The new legal framework has encouraged the development of private-equity banks and liberalized the entry of foreign credit institutions into the domestic banking market. Banks, including the former state-owned banks, were authorized to operate as commercial banks of a universal nature and they could carry out a wide range of banking operations throughout the country, subject to the prudent rules issued by the central bank as the central bank banking supervision.

This new structure of the Romanian banking system conferred on the National Bank of Romania independence from the executive power, being subordinated only to the Parliament, being the institution empowered to develop and lead.

The accounting regulations in line with the European directives applicable to credit institutions were initially approved by NBR Order no. 5/2005 for the approval of the Accounting Regulations compliant with the European directives applicable to credit institutions, modified by NBR Order no. 24/2006, 11/2007, 1/2008 and 7/2008 and later by NBR Order no. 13/2008, and their adaptation at individual level was regulated by the NBR Order no. 13/2007, as amended and supplemented by the NBR Order no. 12/2008, 15/2009, 16/2009. In order to be performing, a credit institution should consider several aspects such as: improving skills through dynamic planning; tracking the quality of the activity; leadership development; organization of teamwork; intellectual capital management; the use of technology; management of change; tracking results through linked business strategy indicators, etc.

Regarding credit institutions, the words of foreign authors are memorable (…) “if you can not measure, you can not control. If you can not control it, you can not manage it. If you can not manage, you can not improve and you can not perform” (Kueng et al., 1999). Therefore, the role of management control is to provide a method of assessing performance. Thus, organizational performance depends on the environment of the credit institution (partners, collaborators, and the general environment), strategy and mission, as well as its responses to adaptive issues and the flexibility of managers.

3. Research hypotheses

Based on the theoretical foundations and literature review, the research hypotheses are designed and developed as follows:
Hypothesis 1: Managers of credit institutions are directly interested in obtaining performance;
Hypothesis 2: Credit institution managers use performance analysis to substantiate managerial decisions;
Hypothesis 3: Financial managers define financial performance in terms of profitability and productivity;
Hypothesis 4: The main source of information for determining performance indicators is financial statements.

4. Methodology of research

The research methodology aims to highlight the scientific approach taken to answer the question of what the research problem was: does the financial statement’s contribute to measuring and analyzing the performance of credit institutions? This research is correlational and applicable.

The theoretical research analyzes and describes the current state of knowledge, the starting point being the theoretical documentation by going through the specialized literature related to the field, in the context of various accounting references at national, European and international level. The applied research that is undertaken to identify the answer to the question is complementary to the theoretical approach. The theoretical documentation is carried out in parallel with the empirical research, ensuring the possibility of measuring the performance of credit institutions. In fact, for this research, we conducted information and documentation on the basis of specialized literature, legislative acts, various analyzes and studies on the banking field, collecting and processing the information necessary to define the context of the field approached. At the same time, we sought to identify the relational elements represented by the basic concepts. As far as the research methodology is concerned, the definition of the term “performance” in the category of inductive research has been transferred from the category of the deductive type by translating into practice the obtained information that corresponds to the present situation in Romania.

5. The importance of using bank performance indicators

The importance of using bank performance indicators comes from the level of certain indicators, in numerical terms, which provides a synthetic, but also comprehensive picture of the situation within a credit institution. At the same time, the dynamic calculation of the banking performance indicators allows comparison of their levels over a certain reference period, thus establishing the trend in the evolution of the credit institution’s activity, pertinent and relevant analyses regarding the factors that influenced the positive or negative evolution of the indicators analyzed. In order to assess the economic and financial condition of banks, a system of bank performance indicators is used which take into account: the rate of using the assets; the net interest margin; the profit rate; the rate of economic return; the rate of return on finance and leverage effect.

6. The measurement and performance analysis of credit institutions

In the activity of a credit institution performance management interferes with bank management, the quality being reflected by the banking performance, directly related to the management of the bank assets and liabilities, and highlighted in the balance sheet and the profit and loss account of the credit institution. An unfair management policy can put us in the face of a case of non-performance, where the analysis of bank performance loses its significance. If performance is determined on the basis of a system of indicators, the lack of performance is relatively easier to detect, being reflected by the very structure of a credit institution’s balance sheet. Thus, a high share of short-term assets and unbalanced placement, the high level of provisions, the low level of capital compared to debt represent only a few visible indications of a credit institution’s exposure to risk, inappropriate management of assets and liabilities.

In the case of lack of performance, “banking practice defined some components of a bank’s balance sheet in their direct relationship with profit and risk” (Bătrâncea et al., 2008). Under these circumstances, revenue-generating assets can be classified as performing or non-performing, while non-revenue assets do not receive this attribute, since they are not directly related to placements. Performance management assessed by indicators has limited informational content, which implies the existence of comparative norms or standards. In this respect, an analysis of the performance trends is made and comparisons are made with other similar banks at certain time intervals.
7. The analysis of financial performance through the credit Institutions: Romanian Commercial Bank and Transilvania Bank S.A.

The two credit institutions are registered in Romania and prepare their statutory financial statements in accordance with the Romanian Accounting Regulations, the values being presented in lei and the accounting records are archived according to the legislation in the field.

The transactions in foreign currency are recorded at the exchange rate published by the National Bank of Romania at the transaction date. Exchange differences arising on transactions in currencies are included as income or expense at the trade date, using the exchange rate of that day.

Banks assets and liabilities are presented in the statement of financial position in descending order of liquidity, and it is not permitted to offset financial assets with financial liabilities unless there is a legally enforceable right to offset the amounts recognized and there is an intention to settle on a basis net or to realize the assets and to settle the debts simultaneously.

In the context of those presented, income and expense should not be offset in the statement of the global income, unless this is foreseen or permitted by an IFRS.

7.1. The analysis of the performance of the Romanian Commercial Bank and Transilvania Bank S.A. based on the results indicators

The structure of the information presented in the profit and loss account is based on the nature of the economic and financial operations that the credit institution carries out, which allows the determination of the result by type of activity, the result of the current activity and the net result of the financial year.

The Profit and Loss Account explains how to form the outcome of the exercise at different stages, allowing conclusions to be drawn about the level of performance of an institution’s performance in a given period. In the case of credit institutions, of which the two analyzed banks are part, the expenses and revenues are of two types: financial (current) and extraordinary. The items of the Profit and Loss Account relating to the current activity were grouped into the following categories of income and expense:

- income and expense of the core business, including income and expense with interests, as well as income and expenses on bank charges, on the grounds that the granting of credits, on the one hand, and the attraction of sources, on the other hand, constitute the predominant activities within a credit institution;

- income and expense from financial operations, including net foreign exchange differences related to foreign currency transactions, as well as net gains or losses on derivative financial instruments that are not hedging instruments.

Since, in the two years analyzed, the favorable exchange rate fluctuations related to foreign currency transactions were higher than the losses from derivatives (for both credit institutions) we present the position of the income that coincides with the profit (profit) from financial operations.

If the result is negative, the amount is highlighted in the heading of expenses in financial operations and we have a loss from financial operations. In the Bank’s Profit and Loss Account, we do not have a position for income or financial operations, but only for the net result of such transactions.

It was considered that the two categories of activities performed at the level of the analyzed credit institutions (basic activity and financial operations) comprise the bank’s operating activity.

The bank’s general administrative expenses (material and personnel costs), as well as expenses on provisions, depreciation and unfavorable differences in the revaluation of foreign currency items (at the end of the month) were grouped under the heading “expenses from other activities”, and the favorable differences in the revaluation of foreign currency items (other operating income) in the income category of other activities, the result of profit or loss from other activities.

As a result of this income and expenses reconciliation operation, the profit and loss account is presented in the tables 1 and 2.
Table 1. Presentation of the main items of income and expenses in a new structure of the profit and loss account with the Romanian Commercial Bank for the period 2015 – 2016

<table>
<thead>
<tr>
<th>No.</th>
<th>Income, Expenses and Results (thousand lei)</th>
<th>Financial Exercise</th>
<th>Indices 2016/2015 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>1</td>
<td>Income from basic activity, out of which:</td>
<td>257.137</td>
<td>204.710</td>
</tr>
<tr>
<td>1a</td>
<td>- interest income</td>
<td>220.603</td>
<td>190.332</td>
</tr>
<tr>
<td>2</td>
<td>Expenses related to basic activity, of which:</td>
<td>176.462</td>
<td>123.443</td>
</tr>
<tr>
<td>2a</td>
<td>- interest charges</td>
<td>174.794</td>
<td>121.240</td>
</tr>
<tr>
<td>3</td>
<td>The result of the basic activity (1-2) (Banking Margin)</td>
<td>80.675</td>
<td>81.267</td>
</tr>
<tr>
<td>4</td>
<td>Revenue from financial operations</td>
<td>66.077</td>
<td>48.276</td>
</tr>
<tr>
<td>5</td>
<td>Expenditure on financial operations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Result of financial operations (4-5)</td>
<td>66.077</td>
<td>48.276</td>
</tr>
<tr>
<td>7</td>
<td>Income from operation - Total (1 + 4)</td>
<td>323.214</td>
<td>252.985</td>
</tr>
<tr>
<td>8</td>
<td>Operating Expenses - Total (2 + 5)</td>
<td>176.462</td>
<td>123.443</td>
</tr>
<tr>
<td>9</td>
<td>Operating result (7-8)</td>
<td>146.752</td>
<td>129.542</td>
</tr>
<tr>
<td>10</td>
<td>General administrative expenses, of which:</td>
<td>70.360</td>
<td>68.207</td>
</tr>
<tr>
<td>10a</td>
<td>- staff costs</td>
<td>46.991</td>
<td>43.340</td>
</tr>
<tr>
<td>11</td>
<td>Provisions</td>
<td>40.371</td>
<td>58.286</td>
</tr>
<tr>
<td>12</td>
<td>Amortization</td>
<td>9.924</td>
<td>11.023</td>
</tr>
<tr>
<td>13</td>
<td>Other operating expenses</td>
<td>19.228</td>
<td>19.331</td>
</tr>
<tr>
<td>14</td>
<td>Other operating revenues</td>
<td>1.837</td>
<td>2.695</td>
</tr>
<tr>
<td>15</td>
<td>Net gains (losses) on disposal and / or disposal of tangible and intangible assets</td>
<td>-455</td>
<td>-687</td>
</tr>
<tr>
<td>16</td>
<td>The result from other activities</td>
<td>-138.502</td>
<td>-154.839</td>
</tr>
<tr>
<td>17</td>
<td>Current result (7+14+15) – (8+10+11+12+13+19)</td>
<td>8.250</td>
<td>-25.297</td>
</tr>
<tr>
<td>18</td>
<td>Extraordinary income</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>19</td>
<td>Extraordinary expenses</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td>Extraordinary Result (18-19)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21</td>
<td>Total income (7+14+15+18)</td>
<td>324.596</td>
<td>254.993</td>
</tr>
<tr>
<td>22</td>
<td>Total expenses (8+10+11+12+13+19)</td>
<td>316.346</td>
<td>280.290</td>
</tr>
<tr>
<td>23</td>
<td>Gross result (21-22)</td>
<td>8.250</td>
<td>-25.297</td>
</tr>
<tr>
<td>24</td>
<td>Profit tax</td>
<td>1.320</td>
<td>0</td>
</tr>
<tr>
<td>25</td>
<td>Net result (18-19)</td>
<td>6.930</td>
<td>-25.297</td>
</tr>
</tbody>
</table>

Source: Processing of data taken from Romanian Commercial Bank

Table 2. Presentation of the main items of income and expenses in a new structure of the profit and loss account for Banca Transilvania for the period 2015 – 2016

<table>
<thead>
<tr>
<th>No.</th>
<th>Income, Expenses and Results (thousand lei)</th>
<th>Financial Exercise</th>
<th>Indices 2016/2015 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>1</td>
<td>Income from basic activity, out of which:</td>
<td>867.041</td>
<td>794.805</td>
</tr>
<tr>
<td>1a</td>
<td>- interest income</td>
<td>727.714</td>
<td>652.871</td>
</tr>
<tr>
<td>2</td>
<td>Expenses related to basic activity, of which:</td>
<td>482.548</td>
<td>324.725</td>
</tr>
<tr>
<td>2a</td>
<td>- interest charges</td>
<td>467.641</td>
<td>309.287</td>
</tr>
<tr>
<td>3</td>
<td>The result of the basic activity (1-2) (Banking Margin)</td>
<td>384.493</td>
<td>470.080</td>
</tr>
<tr>
<td>4</td>
<td>Revenue from financial operations</td>
<td>62.824</td>
<td>44.546</td>
</tr>
<tr>
<td>5</td>
<td>Expenditure on financial operations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Result of financial operations (4-5)</td>
<td>62.824</td>
<td>44.546</td>
</tr>
</tbody>
</table>
The data presented in Tables 1 and 2 point out that the result of the activity carried out at the level of the Romanian Commercial Bank in 2015 was on profit, because in 2016 the activity of the bank would be closed with loss. On the other hand, in the case of Transilvania Bank, economic activity has resulted in profit over the whole analysis period, for both 2015 and 2016.

The analysis of the profit and loss account structure has led to the following conclusions:
- from the income category, the main component was the interest income, whose share in the total income achieved by each bank exceeded 65% even 75% (in 2016) and registered favorable developments during 2015 (+ 10.37% at the Romanian Commercial Bank + 37.09% at Banca Transilvania). In contrast, in 2016, the interest income experienced a sharp contraction, which was reflected in a decrease in its value, with 13.72% in the case of the Romanian Commercial Bank and 10.28% in the case of Transilvania Bank. (Figure 1);
- 2016 was the year when the share of the expenditure item dropped below 50%, at 43% at the Romanian Commercial Bank, and 39% at Banca Transilvania. The evolution of this expenditure item was determined by the evolution of sources attracted to the banking activity.

For expenditures, the second largest element is general administrative expenses, including material and staff costs, and whose values and weights were different for the two credit institutions.

Thus, at the level of the Romanian Commercial Bank, the maximum value of this item of expenditure analyzed increased in total expenditures, in 2016 to 24%, after decreasing to 22% in 2015.

The increase in weight in 2016 compared to 2015 (due to the decrease in the value of those expenditures by 3%) is due to the more pronounced decrease in the value of the expenditures registered by the Romanian Commercial Bank (-11.40%);

- in the case of general administrative expenses, a decrease was recorded in both 2015 and 2016 by 2,153 thousand lei. The reduction of the general administrative expenditures in 2015 was achieved only on the basis of their material component, the reduction of which also covered the increase of personnel expenses (+8,692 thousand lei). The concern of the Romanian Commercial Bank to reduce the material expenses was reflected in the result of the activity, 2015 being the year with a gross profit realized by the good bank, respectively 17.164 thousand lei, to which a net result of 14,417 thousand lei corresponded.

Analyzing the evolution of the general administrative expenses in the case of Transilvania Bank, the first conclusion to be drawn is given by the value of the respective item of expenditure, in the sense that it was much higher than in the case of the Romanian Commercial Bank (70,360 thousand lei in the year 2015 versus 68,207 thousand lei in 2016). The high level of these expenditures, recorded in the case of Transylvania Bank, was largely due to the wider units and the number of staff more numerous compared to the Romanian Commercial Bank.

Another aspect that distinguishes this category of expenditures for the two credit institutions was represented by their evolution over the analysis period. Unlike the Romanian Commercial Bank, within Transilvania Bank, these expenditures have experienced a sinuous evolution.

Thus, the total expenditures in the amount of 204,134 thousand lei in 2015, to grow by 216,124 thousand lei in the year 2016. As a weight, it should be emphasized that in 2015, the general administrative expenses at Transilvania Bank represented approximately 22.54%, and in 2016 they increased as a percentage to 27.07%.

The main component of general administrative expenditures, i.e. personnel expenses, decreased by 12,445 thousand lei (-9.83%), due to personnel redundancies in less profitable units (to 6,098 employees on 31.12.2015). In 2016, the increase in the number of employees from 6.708 (as of 31.12.2015) to 7,235 (as of 31.12.2016) led to the increase of personnel expenses to 8,692 thousand lei.

The personnel expenditures best reflected the work carried out at Transilvania Bank level, in the sense that they increased when the activity of the bank (materialized mainly by granting loans) registered favorable evolutions which required an increase of the number of employees, in order to decline when the growth in lending activity was not as spectacular and in order to ensure the profitability of the bank’s activity, it was also necessary to make redundancies.

Within the expense group, at the Romanian Commercial Bank one item - provisioning expenses had a constantly increasing evolution, both in volume and as in weight of 12.76% on 31.12.2015, to explode to 20.80% at the end the year 2016, the year in which it registered the highest value increase. In the case of Transylvania Bank, the evolution of the expenditures was different from that recorded in the case of the Romanian Commercial Bank in the sense that the situation of improving the quality of the loan and investments portfolio mainly due to the reduction of debts in the non-bank clients, was better reflected on the result of Transylvania Bank, the credit institution registering high net profit for the period ending 2015 and 2016.

The situation in the second half of the analysis period was quite different, when the increase in provisioning expenses, with 40,594 thousand lei in 2016 compared to the previous year, put its mark on the net profit of the institution credit.

Even if the operating result (after the new structure of the items of the profit and loss account) recorded high values (447,317 thousand lei in 2015 and 514,626 thousand lei in 2016), the general administrative expenses and the provisions with the provisions to influence, by their size, the final result of
the credit institution’s activity. It dropped to 25,315 thousand lei in 2015, to increase in 2016 to 39,732 thousand lei.

6. Discussions and conclusions

The main characteristic of the development of the Romanian banking system was not the quantitative dimension of its evolution, but the coherence of the structural and qualitative development of the banking activity, in the sense of the upward direction dictated by the adaptation to the requirements of the market economy. The syncopes found during the reorganization of the Romanian banking system and which have embraced the bankruptcy of some banks are not defining for the entire banking activity in Romania.

The opening of the Romanian economy has also put its mark on the current image of the banking system, which has led to the need to develop and adapt its operating systems to international requirements and practices. Also, the competitive pressure on the financial and banking market in our country, caused by the infusion of foreign capital, created the premises for the development and diversification of the banking activity, concretized through new banking products and services, speeding up and diversification of settlement instruments, recording and control, as well as by computerization of data transmission systems of accounting nature and those of the transfer process. In addition, the capitalization efforts and competitive pressure have prompted banks to develop a modern territorial network that responds fully to the requirements of consumers for banking products.

The preparation of financial statements is of equal importance for both those who prepare them and users of financial information. In the accounting practice, the annual financial statements are the beginning and closure of an accounting cycle - a generator of the correlated and verified information portfolio that expresses all aspects of economic activity. The information published in the annual financial statements must ensure: the determination of the net assets of the patrimony or equity; determining the net economic and financial result obtained; providing detailed information on the evolution and structure of patrimonial components or items of income and expenditure.

The activity of the two credit institutions, Transilvania Bank and Carpathian Commercial Bank, in the analyzed period, respectively, 2015-2016, differed greatly, mainly in terms of the value recorded by the main performance indicator, the “profit”, higher in the case of the Transilvania Bank to the Romanian Commercial Bank.

The first hypothesis is validated by the responses given by financial officers to the question that show great concern among respondents about the financial performance of credit institutions. Very few respondents (5%) declared themselves unhappy with the financial performance of credit institutions.

The second hypothesis is validated by the fact that financial officers in credit institutions define financial performance especially in classical terms of profitability and productivity, which is highlighted by the answers validating this hypothesis with the statement that the meaning of the notion is as expected - appreciated in classic terms and only in the alternative in modern value creation terms.

The third hypothesis is validated as most respondents (56%) have indicated that they are largely using financial performance information for decision-making. A percentage of 28% of respondents said they frequently use the information on the financial performance on which the decision-making process of their credit institutions is based, and only 16% of the respondents use to a small extent or even do not use the information related to financial performance in decision-making.

The fourth hypothesis is validated, as the respondents showed a much more developed analytical sense, most of them choosing to indicate as the main source of information - the profit and loss account and, besides, the revenue and expenditure budget.

Following our research on case studies, our opinion is about continuing research to improve and refine the performance analysis process in credit institutions in Romania, including through the implementation and application of a scoreboard - possibly a managerial tool in substantiating decisions in credit institutions.
References