

CATEGORIES AND TYPES OF BANKING INSTITUTIONS

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ABSTRACT: *"The market economy is a modern monetary economy (a money). Most trade is done by means money, money. All economic transactions are influenced in one way or another, money. Monetary Economics organic blends with real economy, affecting it in a positive or negative way, depending on the nature of prices and monetary measures" (Heyne, 1991, p. 8). Thus, customers choose based on their needs and will choose a particular bank, depending on the services and benefits. This criterion takes you a while, the banking industry developed according to demand. (Ionescu, 2009, Cap. I)*

KEY WORDS: *bank type; banking account; central bank; commercial bank.*

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1. INTRODUCTION

"Customer orientation", occurred the so-called, which meant focusing on requirements. Main concern was directed to identify customer needs and desires, such as companies come to meet them at the highest level of satisfaction of their needs. This change of perspective belongs to the famous economist Philip Kotler, considered the father of modern marketing, which says that the new marketing must be "human activity directed towards meeting the needs and wants through exchange process in relation to market". (Kotler, 1986, pp. 4-5)

The concept argues that the key achievement by an organization, its objectives, is to determine the needs and desires clients, targeted and expected satisfaction in providing a better and more quickly than the competition. The year 1950 is when introducing this concept in banking, with the tertiary sector development - sector of the Service. The marketing has come to learn many things about the client.

Client - a possible definition Customers are those who turn to bank services, but first you need to be known more closely. A customer is a person or entity receiving

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or benefiting from the bank, and who uses a company or banking institution to change currency. The customer is one who has a bank account. "Customers are bank depositors, who entrust their money, banking facilities, for storage and fruiting, for which they receive interest and applicants or those who need temporary, some additional money for paying interest or commission" (Pîrvu, 2004, p. 31). There is no established definition of "client", but can be but few details about customers to draft a definition of customer, in terms of banks, as is the bi-univocal relationship, client-bank relationship.

2. CUSTOMER – BANK RELATION

"At the most general relationship as defined in dictionaries is nothing but a link, a connection, a relationship between things, facts, ideas, processes, features, people, institutions, entities, whatever they may be. Extrapolating the definition of the bank plan, typically client-bank relationship is a more special relationship than meets the eye, precisely because it is very sensitive". (Ionescu & Dimitriu, 2008, *passim*) In this dualism, almost inseparable, the customer can be defined by the following features: Is a person or legal entity that has a business relationship with the bank; Turn to one of the units a bank to ask for operations; Use one, some or all services offered by banks.

The relationship between customer and bank is defined by law. This refers to the duty of the bank to take care of the customer and the banks responsibility to ensure that the system protects the technology used, the bank itself and its customers.

In essence, the relationship between bank and client is that relationship established between debtor and creditor. Customer may be creditor and debtor bank. Reverse this situation is recorded for the customer borrows money from the bank. Bank is not just a keeper of money, since it could use the funds for the purpose of business, but assumes the obligation to repay, on request, amount of deposits.

Business potential offered by bank customers there for a viable business, banks need customers. Different types and categories customers have different requirements, in accordance with their business or personal needs, offering great potential for development banking. Requirements and customer needs may change after a period of time, according to the new conditions existing in the economy and society. For a bank it is advantageous to have different types of clients because, as will receive deposits and provide loans for both business and individuals.

The difference between the interest charged by banks and they are paid gross banking profit, following recovery, by the bank, business development potential offered by customers, resulting in advantages for both bank and customer. Customer benefits can be considered: the safety of deposits held at banks; interest received for them; that the money held in bank accounts can be returned at any time upon request; transfers of money to them, instead of wearing them large sums of cash.

The customer needs and offer advanced services, banks will keep their customers and will be able to offer new services. In a market economy is a long established fact that specialized banking products are more easily developed and used by existing customers than new ones. It is, shoulder important to identify different types of customers and their specific requirements. Companies will have different

needs depending on the nature and volume of business. A small company, for example, may need a short term loan to cover the needs for services and manufacturing. Great investors may want to borrow money for investment so as to expand and diversify its business. Needs of individuals who open their personal accounts may differ, depending on income level and lifestyle. Currently, these types of customers have a small share in Romania, but in perspective, the number of those who open their personal accounts should increase considerably.

"The market economy is modern monetary economy (money). Most trade is done by means money, money. All economic transactions are influenced in one way or another, money. Monetary Economics organic blends real economy, affecting in a positive or negative way, depending on the nature of prices and monetary measures ". Thus, customers choose based on their needs and will choose a particular bank, depending on the services and benefits. This criterion takes you a while, the banking industry developed according to demand. Pressure from customers with different needs, the existence of services and by other financial institutions, will lead to changes and improvements in the banking system. While, due to the fact that banks are beginning to improve strategies, will be introduced new banking products and services in accordance with international banking practice.

3. STRUCTURE BANKING INSTITUTIONS

"Banks are banking structure "units operating in the banking service on a commercial basis, are traders, specialists, who concentrate supply and demand for money derived from primary businesses" (Pârveu, 2002, *passim*). "Bank is a financial and economic unit, yet simple, very complex" (Crețoiu et al., 2003, pp. 263-265), an important component of any modern economy (it takes into account the turnover and result of their application that is the main financier economy and circulatory system of it). They can not operate independently of their customers. Development directions depend on the quality of a bank, financial and economic power and also its customers, its management, the characteristics of economic, social, psychological, etc. area.

"The theory's overall labor and money, author JM Keynes says that the market economy is good, in principle, but its progress is actually determined by action of law or basic human psychological tendencies, so allowing them to act for themselves, are a negative influence to the economic balance, leading to crisis inflation and unemployment". (Keynes, 1970, *passim*)

Thus, systemic vision, the bank can be regarded as an economic actor in the relationship of financial dependence, and the balance with other traders who are clients. The efficiency and the stability and reliability of a bank is determined by the quality customers. Of their income, resources that attract bank then placed in the area, making real income to the extent that clients' financial results lend support repayment and interest payment.

"In the context of the European single market, and other operational changes should be made to promote development and diversification of modern banking products and services at European standards". (Iordache & Șeitan, 2001, *passim*). Moreover, even in the medium term development strategy of the banking system,

developed under the National Strategy for Romania's economic development over the medium term, one of the objectives pursued diversification and increased quality-banking financial services (mainly the integration of banking provided by financial market operators and also creating conditions for development of products and services, in line with market requirements and to implement modern products and services such as hybrid financing instruments, derivative instruments, such as e-banking services).

Presentation banks may be taking into account several criteria, but in terms of management, are important ones that affect the organization, information system, decision making and how to appoint the managers. The coordinates outlining the four criteria, it must take into account: ownership; the nationality; the role that we have the national banking system. Diversity of banks operating in a modern and efficient banking system may be known as classification criteria and types are divided banks. Should be emphasized that each classification criterion indicates a certain degree.

Although apparently the classification and criteria seem to be the same in different countries the banking systems there have different forms in the approach to this problem and also defining features of a particular type of bank.

4. CATEGORIES AND TYPES (FORMS) OF BANKS

Categories and types (forms) of banks in the literature and meet international banking practice, the following main types of banks:

After ownership Depending ownership can define the following types of banks:

a. Characteristic feature of *private banks* that have capital belonging to a person or group of people. The first forms of banks that operated fully have begun as moneychangers and loan sharks. The main form that takes the private banks is limited company (corporation), whose capital is divided into a number of parts, with a particular denomination, called actions. "The main advantage of the corporate form of business organization is limiting responsibility for the owners. All you can lose is the initial investment. Reducing risk to investors subscribed share capital, the corporation - as a form of business organization, makes possible the realization of large investment corporation that is most adaptable form of business, rapid growth by attracting capital" (Pîrvu, 2005, p. 133). Influence on bank management is manifested in terms of shareholders' meeting and depends on the number and amount of shares owned. Profit distribution is based on the number of shares that each shareholder possesses.

Decisions concerning the election of the directors and auditors, approval or balances, dividends are the size of capital, merger, and capital increase shall be taken by ordinary and extraordinary general meetings of shareholders.

b. *State banks* "have the defining feature of the entire equity held by the State in whose territory. In most cases this takes the form of specialized banks. Although it enjoys a certain autonomy, their profitability is lower compared to that of private banks, the state was forced to intervene when sufficient not prove viable.

State banks may increase political pressure from the authorities in the maintenance their life with bank loans. This idea is presented and argued by some authors have argued, inter alia, that the bank privatization process is an economically

important if one takes into account that "privatized banks have come under political control and become efficient and market-oriented institutions" . "In Romania, for example, was a "strong fragmentation / specialization of the Romanian banking system in that state banks have preferred to credit enterprises. Meanwhile, private banks Romanian capital was turning to the private sector and the foreign subsidiaries of multinational companies in the Romanian market". (Bălteanu, 2001, p. 242)

c. "Banks operating as joint stock companies, the state is one of the shareholders' share of its properties depend on the shares held by it". (Bălteanu, 2001, p. 242)

After Depending on the nationality criterion can define several types of banks: (Bălteanu, 2001, pp. 29-30)

a. *local banks* - whose characteristic is that the entire capital belongs to individuals or legal entities in the state where they operate. These banks are part of the national banking system, operating under the supervision of the State Bank of respective.

b. *multinational banks* - this category includes monetary and international financial bodies which have the following common features: capital is constituted by subscribing central banks in member countries; management is of Governors member countries; assist member countries and credits; oversee the running of international financial and banking markets

c. *banks are mixed up* with the capital contribution of two or more partners from different countries, under the laws of the country where they are located. Bank revenues are divided among the partners according to the share of the capital contribution of each bank. Assets and liabilities of the bank's options are mixed, the result that the agreement between the partners.

Bank activity is supervised by the Central Bank of the country where it is located, operates as a corporation (company stock).

After the role is played by the national banking system By this criterion, the literature in banking practice, including international, meet these types of banks: a central banks - are government institutions which provide banking operations and supervision at national level, the powers and responsibilities acquired by their act of creation.

a. *Central banks* have developed in two ways: either that commercial banks have been acquired along the powers and responsibilities they have transformed the central bank (Bank of England, Bank of France), is that "central banks have played a role, setting-up document, if the National Bank, founded in 1880, (Slăvescu, 1925, p. 64; *** 2003, p. 79; Jinga, 1981, pp. 52-54)" U.S. Federal Reserve System - 1913 etc.

The functions vested in the central banks operate with public institutions of the state, regardless of their capital - state, local private or mixed. Mainly central banks meet in the banking system at national level, a number of functions: (Băbeanu & Băbeanu, 1998, passim):

- Is the only institution issuing currency and cash so issued must be accepted by all people's obligations or private;
- The bank of banks, acts as lender of last role, intervening when a bank facing temporary difficulties - the role of credit;

- Lead the country's monetary and foreign exchange - role as manager of international reserves;
- Run Treasury operations. Because between public expenditure and collection of taxes and disagreements, the borrowing from the central bank to support its expenditure rhythmic;
- Make rules for the authorization, operation and banking supervisors in order to protect depositors and ensure the unhindered functioning of the banking system.

In the explicit version, should know that "central banks, as legitimate representatives of the state, exercising an important role in international relations interstate interchange and international monetary institutions participating, as a member, apply rules of conduct agreed by the institutions in monetary your credit, to support mechanisms that operate nationally and internationally". (Stoica, 1999, p. 30)

In Romania, for example, the National Bank is governed by a Board which is responsible for safe and clear: to decide on monetary policy measures, currency, credit and payment, decide on internal organization, sets the guidelines for managing the operations and responsibilities of NBR device, prepare balance sheets and reports, etc.

Board of Directors is composed of the governor - as President, Senior Deputy Governor - as vice president, two vice-governors, and five other members. Board members are appointed by parliament, the prime minister's proposal, and daily management is entrusted to the governor. He called the staff of the bank and directors control branches, subsidiaries and agencies. National Bank governor is in relations with third parties, signing treaties and conventions.

Audit Committee, comprising five members, is appointed by the Board which is responsible for controlling the management of the National Bank shall report annually on the balance sheet and profit and loss.

National Bank is subject to review by the Court. By analogy, internationally, if we take for example the United States of America, should know that until 1913 the Central Bank was established - the Federal Reserve System (FED). The founding document, instead of a single central bank, has legislated the establishment of 12 Federal Reserve banks located in different parts of the country, with a Council of the Federal Reserve in Washington, to supervise and coordinate their work. Subsequently, power has been decentralized and divided between the Federal Reserve Bank and Federal Reserve Board.

The Banking Act of 1935, the Governing Council has centralized power by reducing power of the Federal Reserve Banks. Also become more independent Fed chairman, Treasury Secretary Appointment and removing exchange control, the Federal Reserve Board, who are now appointed by the Governing Council.

All banks must create reserves, to be members of the EDF and secure deposits the Federal Deposit Insurance Corporation (FDIC). More than half of EDF assets are held by three banks: Bank of New York has 30% of EDF assets, the bank representing the focal point of EDF with foreign central banks and international institutions. "Each of these banks the Federal Reserve is controlled by a board consisting of nine directors - directors of the class - is elected by members of the bank and bankers". (Stoica, 1999, p. 32)

b. *Commercial banks* are diversified and can be differentiated by the type of operations or territorial scope of coverage.

"Commercial banks can be classified in commercial bank deposit and mortgage banks. The first raises its funds they need the money market through term deposits of their customers. In turn, this may be the actual bank deposit, receiving sight and term deposits, granting short-term credit business and banks that have significant equity and obtain necessary resources and by issuing bonds or actions and can provide long-term loans ". (Pîrvu, 2004, p. 33)

After performing operations the way, commercial banks can be categorized into: (Stoica, 1999, p. 30): a. *Universal banks* - those are called commercial banks perform all banking operations and not limit their activity to certain sectors (here, the banks are, by law, universal bank); b. *Specialized banks* - this is the generic name to designate such banks or banking institutions, usually with basic banking, banking mainly develops a particular type or in a particular field. Types of specialized commercial banks: *Agricultural Bank* - provides loans and other financial and payment facilities, agricultural facilities, purchase of land and agricultural machinery, fertilizers, etc.; *Investment bank* - give credit, medium and long term, industrial enterprises (sometimes also in other industries), the investment rule, procuring funds based on savings forms of longer duration than usual; *Mortgage bank* - long-term lending, with mortgage on properties owned by borrowers; *Export-Import Bank* - credit on different terms, producers / exporters to support local activities to promote country's products on foreign markets, guarantee external credits; made Cashier for importers and exporters etc.; *International Bank* (private) - commercial bank with many branches in other countries and foreign operations play an important role, but not predominant. The term international bank is used for inter-bank financial institutions whose capital comes from two or more countries and whose specific activity is taking place internationally and worldwide, exceeds the boundaries of countries, eg the International Regulations Bank for Reconstruction and Development, World Bank etc.; *Deposit banks* - make most of the activities internally by attracting deposits and granting of financial loans and private individuals.

In France, banks are called banks of deposit. In the U.S. and Germany the banks will deal with the issue and placing securities and loans with securities as collateral. "Trends, international standards need to improve the structure and functioning of the Romanian banking system, as integrated in the continental banking system, already established, the Romanian banks imposed a structure compatible with the European banking system, to include as wide a range, between cities and surrounding areas. (Iordache & Şeitan, 2001, passim)

- "Very small local banks, mainly with the universal bank and will act in a village and its surrounding areas at most". (Berea, 1999, p. 176).

5. CONCLUSIONS

The pyramid structure of continental and Romanian banking system has disadvantages, but advantages. The main disadvantage is the fact that slowing down transfers and benefits of regulatory activity and control concerning the financial and

banking organizations, which will be much easier to perform. The possible configuration of the Romanian banking system structure is the same as in European countries, in its turn, is relatively similar to the U.S. banking system. Competitive market economy, "in addition to banks, money market works and other institutions such as credit unions, pension funds, insurance companies, investment companies". (Ciucur et al., 2001, pp. 307-318).

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