

**ANALYSIS OF DEPOSITS IN THE BANKING SYSTEM
OF THE REPUBLIC OF MOLDOVA**

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In this paper is made the analysis of bank deposits from the last two years of the banking system of the Republic of Moldova. There are identified banks that hold the largest market share of bank deposits. Also, the types of deposits of banks that hold substantial proportion in deposits of the banking system of natural persons are analyzed, the information in respect of deposits guaranteed by the deposit guarantee Fund of natural persons from the banking system of the Republic of Moldova is presented. The goal of research is represented by the analysis of deposits from the banking system of the Republic of Moldova and identifying the best type deposit for clients. The methodology of research. In order to obtain the expected results, the author applied the methods and techniques recognized and applied in the economic investigations so as: the comparative method, statistical method and method of logical analysis. The research results allow formulating conclusions and recommendations which aim is oriented to create attractive banking deposits products.

Keywords: banking system, deposits, savers, guarantee fund, demand deposits, interest rate, guarantee ceiling.

În prezenta lucrare este efectuat analiza din ultimii doi ani a depozitelor bancare din sistemul bancar al Republicii Moldova. Sunt identificate bancile care dețin cea mai mare cotă din piața depozitelor bancare. De asemenea, sunt analizate tipurile de depozite ale bancilor care dețin ponderi substanțiale în depozitele din sistemul bancar ale persoanelor fizice, este prezentată informația cu privire la depozitele garantate de către Fondul de garantare a depozitelor persoanelor fizice din sistemul bancar al Republicii Moldova. Scopul cercetării îl reprezintă analiza depozitelor din sistemul bancar al Republicii Moldova, dar și identificarea produselor tip depozit cele mai avantajoase pentru clienți. Metodologia cercetării. În scopul obținerii rezultatelor scontate, autorul a aplicat metode și tehnici recunoscute și aplicate în investigațiile economice ca: metoda comparativă, metoda statistică, metoda de analiză logică. Rezultatele cercetării permit formularea concluziilor și recomandărilor ce au drept scop orientarea spre crearea de produse bancare atractive tip depozit.

Cuvinte-cheie: sistem bancar, depozite, depuneri, fond de garantare, conturi la vedere, rată a dobânzii, plafon de garantare.

JEL Classification: G21, G34, F31.

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Introduction. In the broad sense, banking institutions are financial intermediaries which accumulate capital from the economy and make them available to applicants in the form of loans. Basically, obtained funding resources are the greatest part of the capital of the banking institutions, and bank deposits represent the largest part of them.

Taking into account the importance of these resources, banks tend to create attractive deposit products, which may be demand or term deposits, with simple or capitalized interest, fixed or floating, in lei or foreign currency. It is important for these products to be more attractive, because of the ability of the Bank to meet the required products of customers, further lending activity depends, at the same time, taking into account the fact that the biggest gains are achieved at the expense of lending activity, we can certainly mention that the profitability of the Bank will be the influenced the same.

Bank deposits involve the payment of interest; practically interest is the most important element of the contract of deposit followed by most of the depositors, and for banking institutions, interests represent expenses. For these reasons, banking institutions must find a point of balance between satisfying its own objectives, as well as the proposal of advantageous interests.

Analyzing the evolution of bank deposits of the banking system of the Republic of Moldova, it is gratifying that every year their volume increases in the whole banking system. This indicates that the population saves and confidence in the banking system contribute to their accumulation in bank accounts.

On 31.12.2014, the portfolio of deposits in lei accepted by commercial banks of the Republic of Moldova amounted to 31,388,601.9 or about 8.5% more than in the previous year (28,705,569.3), deposits in foreign currency – 34 073 911.8 with an increase compared to the previous financial year by about 31.96% (23,184,373.4).

Table 1
Deposits accepted by the banking system of the Republic of Moldova on 31.12.2014

Type of deposit	Total on banking sector	
	accepted in MDL	accepted in foreign currency
Demand deposit without interest:	5,454,343.4	6,787,843.6
deposits of natural persons	803,395.2	1,428,837.0
deposits of legal persons*, <i>of which:</i>	4,650,948.2	5,359,006.6
- deposits of banks	31,780.8	1,091,672.4
Demand deposit with interest:	4,271,331.1	2,926,362.5
deposits of individuals	2,627,944.9	1,523,695.3
deposits of legal persons*, <i>of which:</i>	1,643,386.3	1,402,667.2
- deposits of banks	2,740.4	11,161.8
Term deposits without interest:	4,729,479.8	6,370,639.4
deposits of individuals	11,677.7	22,701.6
deposits of legal persons*, <i>of which:</i>	4,717,802.1	6,347,937.8
- deposits of banks	4,675,994.4	6,165,513.9
Term deposits with interest:	16,933,447.6	17,989,066.3
deposits of individuals	13,766,982.4	14,405,452.9
deposits of legal persons*, <i>of which:</i>	3,166,465.2	3,583,613.3
- deposits of banks	713,660.0	1,042,874.6
Total deposits:	31,388,601.9	34,073,911.8
deposits of individuals	17,210,000.1	17,380,686.8
deposits of legal persons*, <i>of which:</i>	14,178,601.7	16,693,225.0
- deposits of banks	5,424,175.5	8,311,222.6

Source: [2].

According to data of Table 1, we can note that the highest share in total deposits are held by term deposits with interest, constituting, according to data NBM on 31.12.2014, the value of 16,933,447.6 lei and in foreign currency – 17,989,066.3. Natural persons provide the highest share in lei – 13,166,456.2 and foreign currency – 14,405,452.9. Demand deposits without interest represent 5,454,343.4 lei and in foreign currency – 6,787,843.6. Within this category of deposits, the deposits of legal persons have the largest share. Monetary means deposited on demand deposits without interest represent the economic agents, used to discharge the obligations resulting from their transactions with business background.

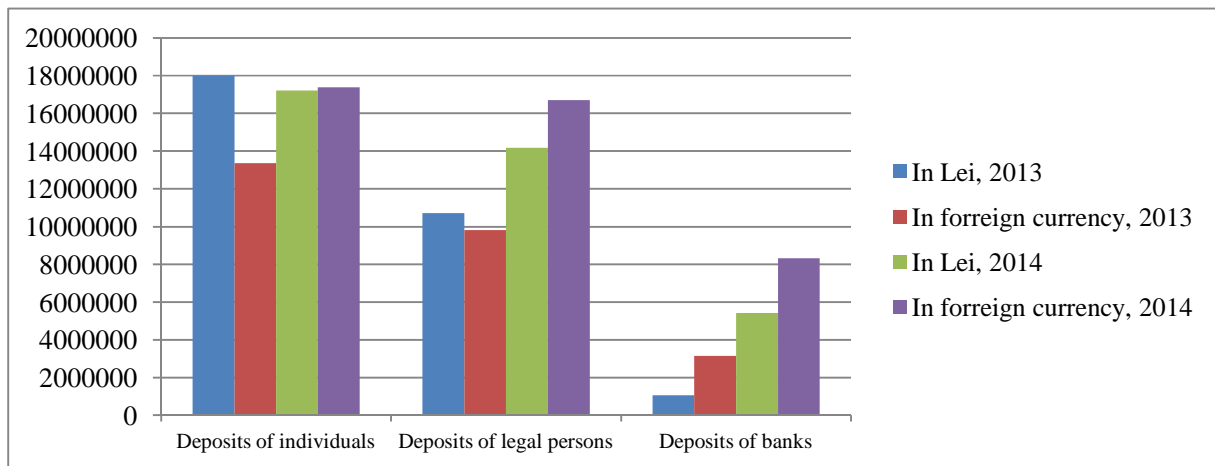


Fig. 1. Evolution of bank deposits according to the category of depositors

Source: [2].

Taking into account the category of depositors, we note that the largest share of deposits in lei and in foreign currency are held by natural persons; deposits in lei decreased marginally over the year 2014, while the deposits in foreign currency increased by about 15 percent compared to the year 2013 (see Figure 1). The increase of deposits in foreign currency was influenced by the devaluation of the national currency, which was felt in the second half of the year 2014.

Deposits of legal entities increased during the year 2014 both in lei and foreign currency. The same trend was followed by the deposits of commercial banks.

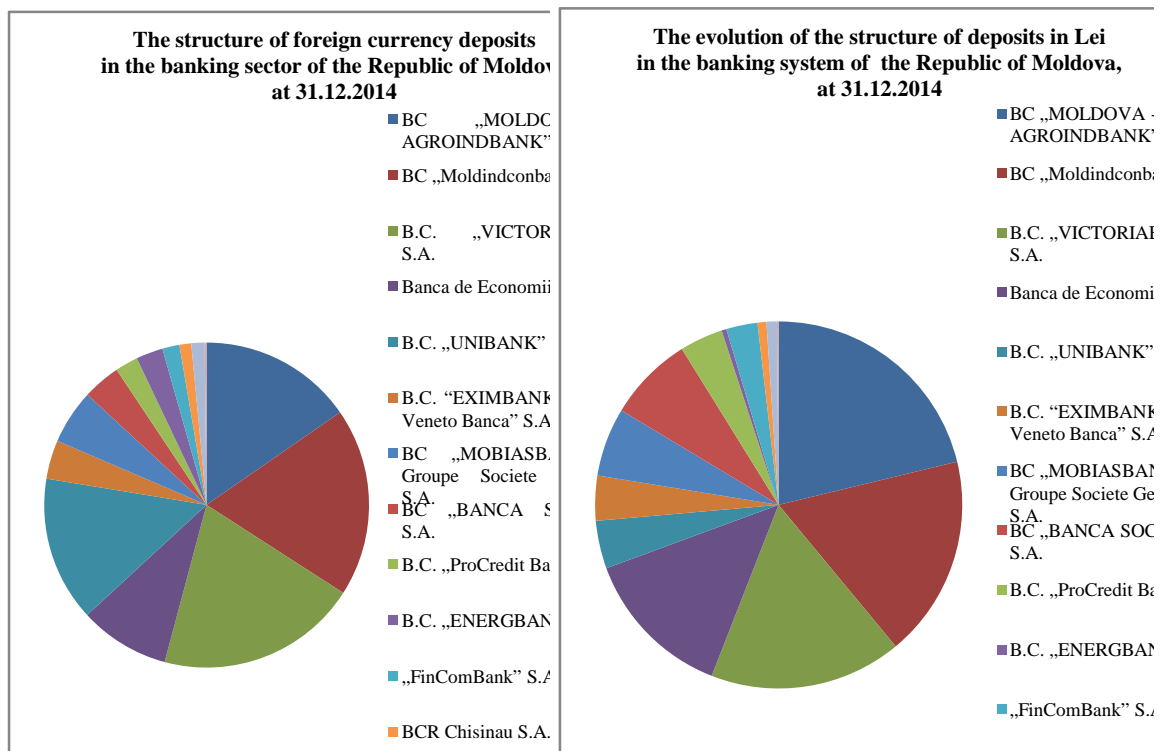


Fig. 2. The structure of deposits in Lei and foreign currency in the banking system of the Republic of Moldova, 31.12.2014

Source: [2].

Analyzing Figure 2, we note several banking institutions which hold together more than half of the deposits registered in the banking system, these are: Commercial Bank „Moldova-Agroindbank” S.A., CB „Victoriabank” S.A., CB „Moldindconbank” S.A., CB „Banca Social ” S.A., and CB „Unibank” S.A.

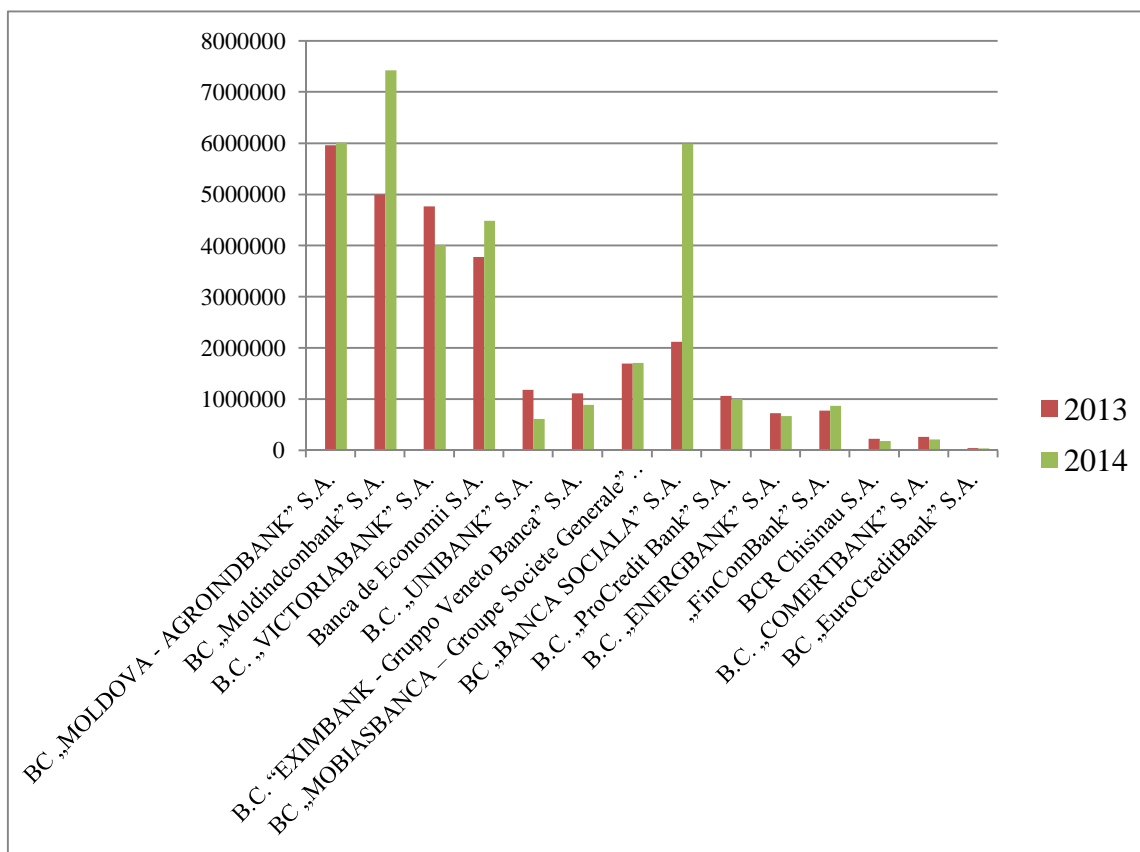


Fig. 3. The evolution of bank deposits in Lei in the banking system of the Republic of Moldova
Source: [2].

Figure 3 shows the evolution of deposits at each bank in the past two years. Thus, we note that on 31.12.2014, the deposits collected in lei by CB “Moldindconbank” S.A., from the second position in 2013, was placed on the first position in 2014, the second being owned by CB “Moldova-Agroindbank” S.A., on the third position was CB “Banca Sociala” S.A., with a considerable increase in the volume of deposits compared to 2013. The lowest shares of deposit market are registered at the banks CB “EuroCreditBank” S.A., CB “Comertbank” S.A., CB “BCR Chisinau” S.A.

As we noted, some commercial banks have promoted an active policy to collect bank deposits. Analyzing the types of bank deposits provided by CB “Moldindconbank” S.A., we note that the products provided to natural persons are good enough. A good example is the deposit *Allegro*, which can be opened for a period not exceeding one year, with an interest rate depending on the period, from 14.5 to 15.5% per year, the minimum amount of 1.000 lei, the first two months is allowed funding of account. Other types of deposits are: *Crescendo*, *Pensionar*, *Acord*, *Sonata*, *Tango*, *Jazz*, *De economii*, *Deposit Pentru Copii* [5]. Depending on the needs of each client, there can be selected the most appropriate deposit. Most requested deposits are: *Crescendo*, which interest can be capitalized, account can be funded during the period of deposit except the last 2 months, and the interest rate in comparison with other types of bank deposits is superior; and *Allegro*, although the interest cannot be capitalized and the maximum term of deposit is one year, the interest rate is the highest up to 15.5% per year. This type of deposit can be set up only in lei.

Shopping cart “bank deposits for natural persons” of CB “Moldova-Agroindbank” S.A., is equally attractive, thus, the bank offers deposits in lei and foreign currency on demand and term, online savings deposits and saving plans. The types of demand deposits in lei and foreign currency shall be noted: *Classic*, *Classic+*, *Senior classic*. Saving deposits which can be formed on-line are: *Multiopional*, *Stabil*, *Profitabil* [4]. Deposits within the group “Saving plans” are intended for persons who have not reached retirement age, but who want to collect monetary means until reaching that age: regular savings deposit *Capital+*, which can be with capitalization and monthly interest payment; as well as *Junior Invest* deposit-intended for children up to 18 years old.

Taking into account that each banking institution is interested in attracting resources of deposit, they make available to clients a series of deposits. Selecting one or another type of deposit depends on the needs and particularities of each client. Finally the best deposits have been selected, six banks as indicated in Table 2, the criteria for selection being the interest rate, possibility of capitalizing the interest rate, period of deposit and initial payments.

Table 2

Types of deposits for natural persons

No. crt.	Commercial bank	Type of deposit
1.	CB "Moldindconbank"	<i>Allegro</i>
		<i>Crescendo</i>
2.	CB "Moldova-Agroindbank"	<i>Clasic</i>
3.	CB "Banca Social "	<i>Toamna de Aur</i>
4.	CB "Victoriabank"	<i>Victoria Maxim</i>
5.	CB "Mobiasbanc – Groupe Société Générale"	<i>eProfit</i>
6.	CB "Banca de Economii"	<i>Exclusiv</i>

Source: Created by author.

According to the Law on guaranteeing deposits to natural persons [5], each banking institution is obliged to participate in the formation of reserves to the guarantee Fund of natural persons deposits of the banking system of the Republic of Moldova, thus, quarterly, annually, commercial banks will pay contributions in the amount provided by the aforementioned law. These resources are used by the Fund to pay the deposits becoming unavailable.

The fund guarantees only the deposits of natural persons; guarantee is on depositor, not on deposit. The amount guaranteed at the moment is 6.000 lei, but due to the current situation of the banking system, the Fund has issued a request to be discussed with the NBM, Ministry of Finance and the Association of Moldovan Banks regarding the increase of the guarantee ceiling from 6.000 to 15.000 lei.

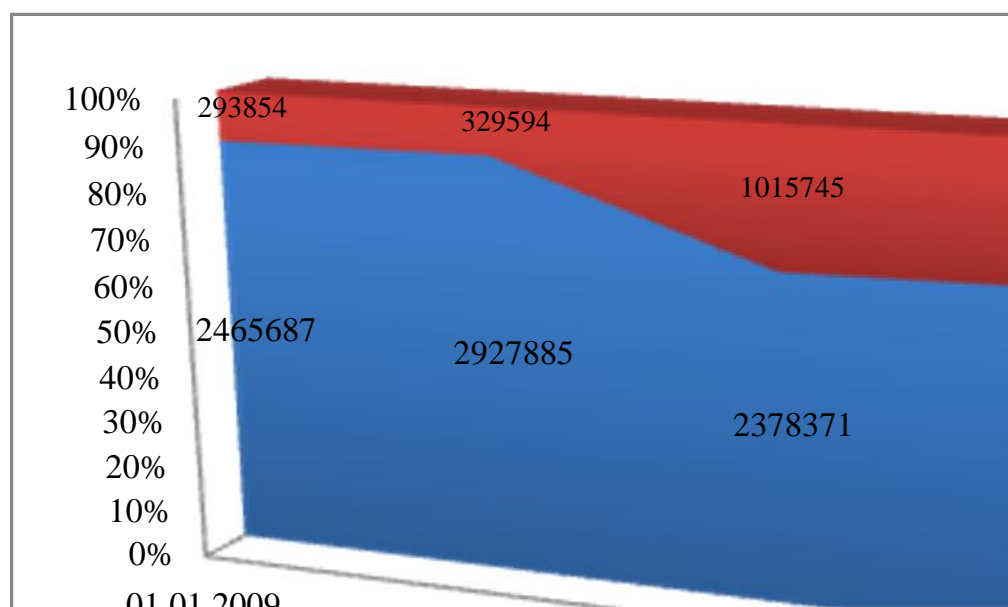


Fig. 4. Structure evolution of the number of natural persons' deponents

Source: [3].

In accordance with data presented by the Fund of guarantying of natural persons' deposits of the banking system of the Republic of Moldova, there are guaranteed the deposits of about 70% of deponents (natural persons) [3].

The part of deposits of natural persons' depositors is not guaranteed and also from the reason that within the same banking institutions are open more deposit accounts by the same depositor.

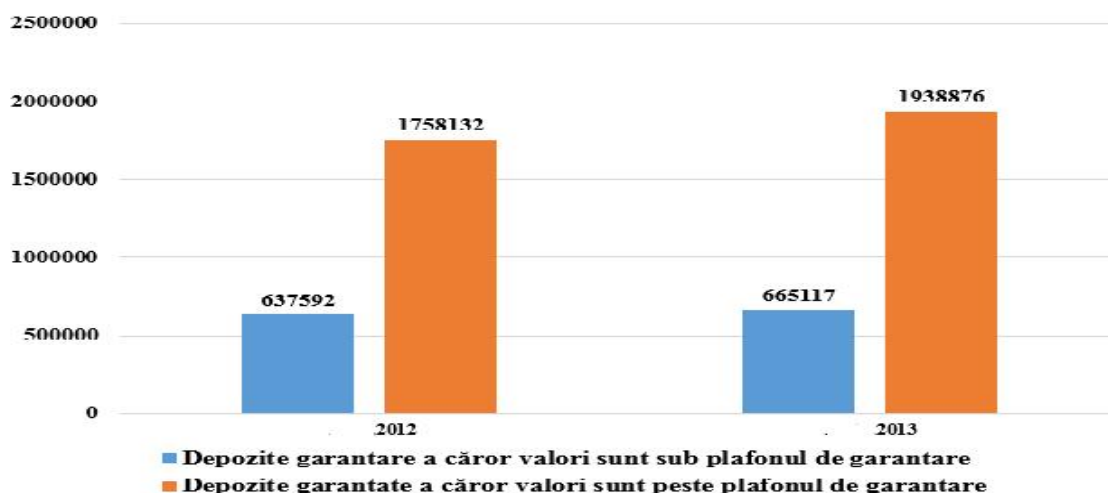


Fig. 5. Guaranteed deposits growth rate in relation to the guarantee ceiling

Source: [3].

According to Figure 5, we note that greatest part of the guaranteed deposits is held by deposits whose value is greater than 6.000 lei; they amounted on 31.12.2013, the sum of 1 938 876 lei, deposits guaranteed, the value of which is less than 6.000 lei, according to the Fund amounted to 665 117 lei.

Taking into account the practice of other countries in the region, guaranteed Fund ceiling is very low. In Romania, the deposit guarantee Fund guarantees deposits of natural and legal persons in the amount of 100 000 euro.

Results and conclusions. Deposit activity represents the core business of commercial banks. Given the fact that the resources accumulated on the account of this activity are used by banks in lending activity-activity that accrues to the Bank the largest portion of income, each banking institution tends to give customers the best deposit conditions, so as to accumulate as many financial resources used to finance the country's economy. The effective and proper organization of the activity of attracting deposits depends on stable and profitable operation of any lending institution.

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