

Ethics and Consumer Financial Behaviour in the Banking System Savings Programme

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Abstract: *Saving is an important part of many people's lives. Most often a person saves to buy a house, a new car, a holiday in a place they haven't visited or for unexpected situations. To have a balanced financial life it is essential to save, as it reduces stress or other problems that may arise in everyday life.*

The main reasons why a person saves are emergencies, having loans we want to cover in advance and goods we can't buy with our regular income. The best way to protect savings is not to keep the money in the house, but to open a savings deposit at a bank. The truth is that when money is in the house we are more tempted to spend it and so the whole process of saving takes a turn.

In this paper I propose to address a topical issue of particular importance to the savings process in the banking system. Thus, we will show an analysis of the evolution and highlight the trends that have taken place in the context of inflation, certain microeconomic factors, but also in the context of the economy at the national level.

We have also captured the moments when events at the national level have had a direct and visible impact on deposits in the banking system.

Keywords: *Income; spending; saving; financial ethics.*

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1. Introduction

For the most part, saving depends on a person's main income. People tend to save more when their income is rising. As economic growth increases income, so will the amount saved relative to income.

People's desire to save gradually outstrips their desire to invest, in which case the goal of saving more will be thwarted by insufficient aggregate demand, leading to lower output, leading to higher unemployment, until the lower incomes earned by savers cause them to stop saving more than investors want to spend.

Saving is defined as putting money, in most cases, into a bank account. Generally, people save for a specific purpose, such as a down payment on a car, a down payment on a loan to buy a house, or whatever situation may arise.

Saving in many people's minds is mainly related to a bank deposit or savings account and generally has a short time horizon of up to a year.

Investing is when you use some of your money to increase its value over time. Buy assets that could grow in value, such as stocks, bonds or mutual funds.

For most, investing is about risk, and the time horizon is a long one - more than a year. A significant category of people invest in a property with a view to renting it out. This is an efficient way to put money to work and build long-term wealth.

After all, wealth enables us to live better, to cope with unforeseen events and to realise our dreams, and investing does just that.

This is how we can allow money to outperform inflation and increase in value. We need to think about saving, but we definitely need to think about investing for the long term too.

2. Problem Statement

In 2022, to apply for a savings account, all you need to do is visit the official website of the bank of your choice, fill in the form and your account is officially activated (Barbos, n.d.).

There are also benefits for children under the age of 18 or young people between the ages of 18 and 24 have zero costs on the products of that bank. The benefit is also provided through the bank's mobile app where you can monitor your personal savings account anytime and anywhere.

Nowadays this is a plus that makes banks even more attractive, especially to young people who use at least a smartphone or have an internet connection and can access their personal account via their computer.

The next product is the term deposit, which offers the possibility to deposit money for a specific period, at the end of which interest is paid, depending on the amount and term of the deposit (Basno & Dardac, 2004).

You can juggle these bank savings products to suit your individual situation (Cartoiu, 2020). Or they can be combined, subsequently working to the client's advantage to meet their financial savings goals.

Banks have recently developed new and complex savings products in addition to traditional deposits. Savings accounts and bundled products combining deposits with open-ended investment funds are just two examples.

A bank's customers have different savings needs and requirements. That's why banks have realised the need to diversify their portfolio of savings products (Stoica & Deaconu, 2003). A single type of savings product would not be able to cover a wide enough range of customers or even all the expectations of a single customer.

Term deposits are the classic savings product and remain the most sought after. They are designed for customers who want to save for the medium to long term in safe but very inflexible products without high returns (Toda et al., 2001). Quite a few deposits offer a fixed interest rate, which protects savings in the event of negative fluctuations in the money market, with repercussions in the interest levels offered by banks to customers.

An increasingly popular alternative is savings accounts. These products combine the security offered by a financial banking institution administering them with the high flexibility of withdrawing or depositing cash after their establishment.

In addition to the banking products listed above, another way to save is through thinking. In terms of managing spending and saving methods, it has been proven that a savings mindset is a healthy mindset and this is where the fruits of our labour will be seen.

Next we will present some effective ways to save money monthly and without the help of a bank product (Romanian Association of Banks, n.d.; European Central Bank, 2020).

In order to save money it is important that all your spending information is organized in a tracking tool such as an app or a calendar (National Bank of Romania, n.d.).

It is essential for a person to plan their monthly budget. This can be divided into categories of fixed expenses and optional expenses. All this in achieving more efficient budget management. Once this process begins, a person can establish absolute control over spending and will be able to make savings.

An effective way to make savings is to cut out spending that is not a priority. This involves consuming all the food purchased (Eurostat, n.d.). When a person goes shopping, he or she tends to buy products that he or she does not use. One solution is to draw up a well thought-out list and thus shopping becomes responsible. This is one of the steps to take when it comes to saving money.

Another way is to reduce utility costs. This can be done after analysing the offers of the utility companies and choosing the most convenient among them according to people's needs. As well as choosing an offer or changing the contract with a water, gas or energy company, we also need to pay attention to the way a person looks after themselves.

There are a number of ways to reduce utility costs, such as using the TV only when needed, replacing energy-saving appliances, installing or replacing appliances used for this purpose.

The use of new means of transport can reduce costs. Obviously, transport by private car is the most expensive, but if we choose public transport or even a bicycle, we can cut costs considerably.

If the expenses are higher, we can reduce the costs by following the discount period. For various items it is important to constantly inform ourselves and thus purchase a desired product but at a lower price, and the remaining money can be saved (Bank Deposit Guarantee Fund, n.d.).

It is also important to set long-term or short-term financial goals. When we plan to go on a holiday or purchase a long-term asset, we can do it with the money we save.

One priority is repaying the instalments. Installments paid on time during the term of a loan and in full each month is necessary for every person. Otherwise expenses can inevitably increase and the balance can diminish the budget.

So saving helps us grow and teaches us to educate ourselves financially. The market offers a wide range of products tailored to each individual's needs.

3. Research Questions/Aims of the research

Given that the basis of the banking system is to attract liquidity from the population in order to provide it in the form of loans for profit, saving is a particularly important and interesting phenomenon to analyse.

The main purpose of this paper is to deal with a topical and very important issue, namely - the analysis of the evolution of the saving process and the highlighting of the trends that have occurred in the context of the influence of certain macroeconomic factors, such as: interest rate, inflation

rate, etc., but also in the context of the national and global economic situation. Thus, I will put alongside some macroeconomic variables that constitute such causalities, in order to draw some conclusions on causalities and average behaviours regarding the demand for bank deposits.

The paper also highlights the trends in the current year, followed by the population's saving behaviour, and then the analysis of the evolution of the saving process itself. The issue of financial stability is also addressed in the context of the global economic crisis and declining confidence in the banking system.

4. Research Methods

Monetary saving in the form of deposits is an economic behaviour that is part of the general causality that is formed and acts throughout the economy. Although many financial-type behaviours also have non-economic causalities (psychological, contagion-generated, etc.), in general they are subsumed by the dynamics of macroeconomic variables that are either generative or conditional of saving behaviour, both at the level of volume and at the level of the structure of the saving "portfolio".

The working method is qualitative and quantitative documentary research in archives. We used documents archived in the National Bank, the Institute of Statistics and the Deposit Guarantee Fund in the Banking System. The archival information was supplemented by reading several books and scholarly articles dealing with the research topic. We also used scientific research papers and interviews with dignitaries involved in the population's relations with the banking environment in the current period. The statistical information identified in the archival documents was synthesized, analyzed and processed in the form of tables and graphs, which will be found throughout the research.

5. Findings

In Romania, at the end of 2021, individuals will no longer focus exclusively on the level of subsidised interest when setting up a deposit. This signal of the maturing of the retail market, so important for the modern banking sector, led to an increased effort on the part of bankers to satisfy as many customer preferences as possible and at as high a level as possible.

Not only did the nominal interest rate on a deposit no longer matter as much as it did 10 years ago, but the details of the interest characteristics, such as whether it was fixed or variable, whether interest subsidies were available to encourage deposit extension, how interest was calculated and

subsidised, including the possibility of transferring interest to the card or converting it into foreign currency, were increasingly important.

Situations where people are willing to save

A sociological survey conducted by the Romanian Institute for Public Opinion Polling identified five situations in which Romanians are inclined to save and another five in which they refrain from saving. The institute's researchers also structured consumers into eight categories according to areas of personality manifestation.

The IRSOP research identified no fewer than five situations that favour the Romans' propensity to save. The first of these occurs when there is an increase in personal income, i.e. when there are tax cuts, when the wage situation on the labour market improves or when a number of personal opportunities arise. A second situation found by IRSOP researchers is when "future needs" arise, i.e. when there is a desire to make major purchases but not enough money.

Romanians are also inclined to save when they are under the influence of family or personal patterns or pressures. They are also willing to put money aside when they are pessimistic or worried about the macroeconomic situation. "It may seem paradoxical, but even in times of economic crisis people put money aside. Given that they face such cases, they tend to create a safety net for the future" (National Institute of Statistics, n.d.).

Finally, a final determining factor for saving is when it is rewarded satisfactorily, in other words when the return on deposits is not eroded by taxes, fees or inflation.

A. When no money is put aside

The same IRSOP sociological research has also identified cases where abstention from saving occurs. The first two are directly related to the credit process. That is, they occur at times when credit opportunities for the population are multiplying and when access to loans becomes very easy and fast.

A third situation occurs when there is a drastic fall in income, and the last two occur when there are limited options for saving and when saving is not rewarded in the medium and long term by the real possibility of realising desirable plans.

B. Consumption trends

In terms of the purpose of saving, the IRSOP survey identified six objectives, in order of preference these were: critical situations, home improvement, household and personal items, helping children, cars, and holidays and travel.

Moreover, these objectives are also repeatedly found in the consumption trends of Romanians, whom the research institute has structured into six consumer categories. The first is made up of those who are primarily looking to improve their living conditions and, as such, their consumption is oriented towards housing and shopping.

The second category is made up of those for whom 'self-expression' is the most important aspect of life. They spend their money on housing, cars and other purchases.

The third category is made up of those who emphasise change and novelty, with cars, holidays, travel, mobile phones, computers and social or cultural events being important to them. A separate group are the technology enthusiasts, whose preferences are cars, household appliances, mobiles or computers (Ministry of Finance, n.d.).

Another category is the hedonists, who spend their money on holidays, travel, shopping and events. The same preferences are characteristic of another group, the "live for the moment" group.

A separate group is the so-called "nature-connected", whose consumption is directed towards housing, cars and holidays or travel.

Finally, the last category includes 'family consumers'. Their money is spent on family needs, on improving and modernising the home and buying consumer goods.

Saving at the bottom of the priority list in 2021

The fact that our country's population earns among the lowest wages in Europe also leads to one of the lowest savings rates. For example, data published by the National Bank show that at the beginning of 2021, individuals' savings, both in lei and in foreign currency, totalled the equivalent of €13.4 billion (Raiffeisen Bank, n.d.).

Relative to gross domestic product, household savings represent less than 14%. By comparison, in the Czech Republic the level is over 25%.

Moreover, bankers expect modest increases in household savings in the coming years. Thus, after deposits of individuals increased by about 27% in 2006 compared to the previous year, bankers expect a continuation of the modest growth of household savings.

However, 2021 marked a reversal of the trend in savings consumption. Thus, while until then, almost all social categories in our country were relying more on their own deposits to meet their consumption needs, 2005 brought a higher rate of saving than that of giving up deposits. But the trend is particularly characteristic of employers and employees (Toda, Toda, Mecu, & Barbu, 2001).

The effects of the depreciation of the leu and rising euro interest rates

The first part of 2021 saw an increase in the attractiveness of foreign currency deposits. And the situation can be observed for both residents and foreigners. On the one hand, the exchange rate increased in the first half of this year. And on the other hand, interest rates on foreign currency deposits have increased significantly. At the end of the first half of 2021, the value of all foreign currency cash and deposits, held by both domestic and non-residents, reached the equivalent of €53.6 million (approximately €14.7 billion).

Compared to the beginning of last year, the balance of holdings in foreign currency rose by almost 10% (in euro, the increase was 11%), data published by the National Bank of Romania show. In nominal terms, the increase in the first half of the year amounted to more than 4.8 billion lei. And compared to the advance between January and June 2007, the first half of 2021 brought an almost threefold increase in foreign exchange holdings (Romanian Association of Banks, n.d.).

Thus, in the residents' category, NBR data show that the advance in the first half of this year amounted to €1.24 billion, 2.9 times more than the pace in the first six months of last year. Moreover, and in the non-resident category, the advance in 2021 was €430 million, 3.4 times higher than in the first half of last year.

One of the reasons for this development is the exchange rate. In the first half of 2020, the national currency appreciated by more than five percentage points (calculated on the basis of monthly averages), with an exchange rate as high as 3.13 lei/euro, whereas in January-June 2021 it depreciated by almost one percentage point. In other words, while in 2020, returns on foreign currency deposits were "wiped out" by the appreciation of the leu, this year the exchange rate evolution actually helped foreign currency investments to bring a higher gain (Raiffeisen Bank, n.d.).

At the same time, another incentive to save in foreign currency has come from interest rates. Data published by the central bank show that in June 2020, new deposits in euros had an average annual interest rate of 3.37% for individuals and 3.51% for companies. By contrast, in May 2021, the average yield on a euro deposit was 4.33% for individuals and 4.60% for companies (National Institute of Statistics, n.d.). In addition, interest rates in euros increased in the following months, as the European Central Bank raised its monetary policy interest rate from 4% to 4.25% in early July 2021 (National Bank of Romania, n.d.).

6. Discussions

This chapter discusses the issue of validity, credibility, limits of the study, generalizing the data, etc.

The financial crisis has significantly increased the importance of domestic resources. As a result, banks started offering attractive interest rates on deposits to attract people to save. The depreciation of the national currency also made foreign currency investments profitable. Savings in lei resumed its upward trend after being interrupted by the panic of October 2021. Real yields on deposits in lei and foreign currency will most likely fall further, but the effect on saving will not be major from this perspective.

Risk aversion is on the rise. People's expectations about their own financial situation over the next 12 months are considerably volatile and have since February 2022 moved back into negative territory.

Tighter lending standards and terms mean harder access to bank finance. The down payment required from potential borrowers becomes higher and the degree of leverage accepted by banks is decreasing. These factors argue in favour of increased saving, as the contribution that borrowers have to make is increasing.

A development of the financial crisis could lead to a significant run on bank deposits. Even if deposit guarantee coverage were to increase to €100,000 (equivalent), still almost 25% of the value of household deposits in the banking sector would remain above the guaranteed ceiling. Compared to the rest of the depositors, holders of these savings are generally better able to monitor risk on a current basis, so that a possible increase in distrust in the financial system could lead to a run on these savings.

In April 2022, interest rates started to fall as the NBR encouraged lower rates in the interbank market by injecting liquidity. In the first quarter, banks were even posting interest rates of 16% p.a. in standard offers.

7. Conclusions

In conclusion, the savings process in Romania in 2019-2021 is in full swing. This is primarily due to the pandemic, many of the companies in Romania have had to reinterpret their activity in the related conditions.

We can say that the generation of the covid-19 virus had a positive, but also a negative impact. One of the positive impacts is people's attention and concern for money. Spending is more economical and the money saved is often invested or for contingencies. Another is informing people about money management and their needs. At the same time, banks offer various services and products to help the population, especially customers.

In 2021, more and more people will have opened a savings account or at least a bank deposit. In the case of a loan, two out of three people are much more informed about interest rates, fees, monthly instalments and especially the amount they need. This skill has become a necessity in the contemporary year.

A primary disadvantage to saving is inflation. The main issue of which Romania will not have solutions at the moment. Due to rising prices, increased interest rates and fees in banking establishments, people are forced to give more money to cover this problem. As a proof, expenses have increased by 23% in 2021, as well as income by 20%.

In the structure of the paper, we have highlighted the main factors that lead to the slowdown in saving. This has been highlighted in the second chapter. The evolution of inflation and the increase in interest rates by up to 30%, and the increase in taxes and duties are other consequences that lead to the slowdown of the saving process.

In the last chapter we have described the revenue and expenditure that make up the general consolidated state budget over a three-year period, i.e. 2019-2021.

We can therefore conclude that the savings process is at a positive stage.

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