

# ANALYSIS OF FINANCIAL RESOURCES ACCESSIBILITY IN BANAT DISTRICT

**Isidora Ljumović**, PhD, Assistant Professor<sup>1</sup>

**Ivana Lečovski**, MSc<sup>2</sup>

**Abstract:** *Developed financial system usually implies advanced economy and faster economic development. It is also the backbone of economic development of each country. However, in Serbia there is a tendency of loan concentration in large administrative centers, such as Belgrade. Having this in mind, this paper analyzes the accessibility of financial resources in the Banat district. Regional data on direct indicators are not available, so in this study we use indirect data. Analysis shows that those resources are allocated unevenly, and the accessibility of financial resources is not equal across the regions. Nevertheless, the analysis is not accurate enough.*

**Keywords:** *banking sector, financial resources accessibility, Banat district*

## 1. INTRODUCTION

Access to financial resources is of an essential importance for the development of a certain market, its segment, an economic branch, an enterprise or economy as a whole. When there is no access to financial resources, economic subjects have limited possibilities of investing, and, therefore, cannot expand their production, increase their productivity and profitability, nor can they improve their position in the market. The accessibility of resources is even more important to new economic subjects who want to start their business. On the other hand; sufficient quantities of financial means imply that there is capital which is badly needed for new investments to be made, and that, simultaneously, chances for development are bigger.

The objective of this paper is to highlight the fact that the accessibility of financial resources in all regions of the country is of an exceptional importance, as well as to point out the main problems which economic subjects are faced with in their search for capital.

## 2. ACCESSIBILITY OF FINANCIAL RESOURCES

Access to financial resources can be ensured in two ways: through formal and informal channels. Formal channels are those in which intermediation is carried out via official institutions such as banks and other financial institutions. In the case of informal channels, there is a direct contact between the creditor and the loan-taker, and here, mostly, we classify loans from the family and friends, but slow loan-taking with "loan sharks". The first form, which, from the point of view of the price, can be a very favorable one, is limited by the capacity and readiness

<sup>1</sup> Graduate School of Business Studies, Megatrend University, 8 Goce Delčeva St, 11070 Belgrade, Republic of Serbia, [iljumovic@megatrend.edu.rs](mailto:iljumovic@megatrend.edu.rs)

<sup>2</sup> [ivana.lecovski@gmail.com](mailto:ivana.lecovski@gmail.com)

of the creditor to make a transaction, whereas the second manner for the collection of funds usually means a significantly higher price in comparison with formal financial channels.

Although the concept of accessibility of financial services (which is only related to formal financial channels) seems to be a simple one at first glance, measuring is very difficult because of numerous factors which have an influence on it. Sometimes, resources are accessible but not to the full scope, the one that would satisfy the lend-taker's needs. The price is the other factor which can significantly vary, first of all depending on the client's credit capability. A question is asked regarding the quality and diversity of financial services because, sometimes, even though resources are accessible, they cannot satisfy the lend-taker's needs (for example, if there is a need for a long-term credit, whose funds will be intended for equipment purchase, and short-term credits are the only ones to be offered). Of course, there are problems related to age (young clients cannot be given funds), sex (in many countries, women are practically disabled to apply for a credit), or, say, one's belonging to a particular ethnical group. Analyses show that formal financial channels play a significant role in the developed world. According to [5], 99% of Denmark's population, 96% of the Germans, and 91% of the US citizens have open accounts of some kind with banks they trust (the details regarding individual countries are accounted for in Table 1). Unfortunately, in developing countries- and countries in transition, the situation is dramatically different, and these figures are significantly less.

**Table 1:** Percentage of population with open accounts of some kind with banks they trust

<u>State</u>	<u>% of population</u>
Denmark	99.1
Holland	98.9
Sweden	98
Finland	96.7
Germany	96.5
France	96.3
Belgium	92.7
Spain	91.6
Austria	81.4
Greece	78.9
Italy	70.4
<b><u>Average in EU 15</u></b>	<b><u>89.6</u></b>

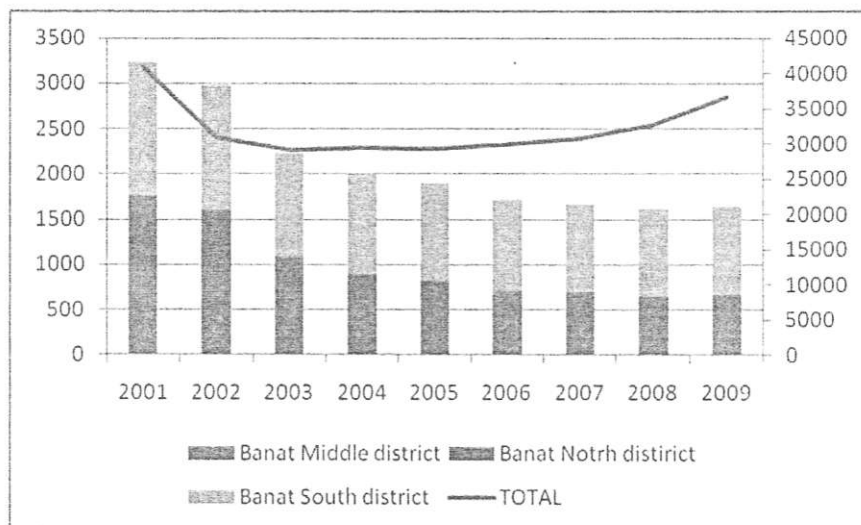
Source: [6]

### 3. ANALYSIS OF ACCESSIBILITY OF FINANCIAL RESOURCES IN BANAT DISTRICT

The development of the banking sector of the Republic of Serbia, observed through numerous indicators, among which the one of the accessibility of financial resources is, has proved evident in the past decade [2], [4]. However, if we put this development within the framework of a broader social context, a question arises whether it was even or not. A problem in the analysis of the accessibility of financial resources per individual regions is the availability of data because the majority of data are collected at an aggregate level, so it is impossible to make an analysis per regions. We have also come across that problem in this paper. We gained the most direct image of

the level of accessibility from our exploitation of data regarding the scope of total placements per regions which are the subject matter of our research. Unfortunately, such data cannot be accessed, so, in our research, we used some other which we consider to be an appropriate approximation. One of them is the development of the banking network, which provides us with the number of organizational units in a specific region, thus indirectly accounting for the accessibility of financial resources, too. The research carried out into only three segments (the city of Belgrade, Vojvodina and Central Serbia) [7] shows that over 30.6% of the banking network is located in the capital city, whereas the city is only lived in by 18% of the Republic of Serbia's population. In Vojvodina, there are 25.4% of the organizational network accompanied by 22% of the total population. The most dramatic situation is in Central Serbia, which has 60% of the total population and only 44% of the banking network. This paper is closely followed by paper [3], which establishes the fact that the structure of the banking network in Belgrade is by 70% higher than is the case with the average one in the Republic of Serbia, whereas in Vojvodina, it is by 15.45% higher than the average one in the Republic of Serbia.

**Graph 1:** Number of employees in the sector of financial intermediation



Source: Database of the Agency for Statistics of the Republic of Serbia

A bit more accessible and more quality for processing are data on the number of employees in the sector of financial intermediation, and data on the presence of individual banks in the selected districts. The data on the number of employees within the sector of financial intermediation are accounted for in Graph 1. On the bars, whose values read on the left ordinate, there is the number of employees in three districts of Banat, whereas the lineal illustration is an illustration of the total number of employees in the sector of financial intermediation, whose values read on the right ordinate.

Analyzing the graph, we can notice several things. The number of employees in the banking sector in the three districts of Banat was almost constantly decreasing since 2001, whereas the total number of employees was recording a trend of slowed-down growth since 2005. In comparison to the total number of employees, the employed in the districts of Banat have a share of 0.98%, 0.82% and 2.68% in Middle Banat District, North Banat District and South Banat District. So, a little less than 4.5% of employees in the banking sector are employed in the three districts of Banat against 9.2% of the total population of the Republic of Serbia (accord-

ing to the consensus in the year 2002), who live in the three mentioned districts. The degree of unevenness in the regional distribution was raised after the year 2001 because the employed in the sector of financial intermediation in Belgrade accounted for 42.11%, whereas in the year 2009, that number increased to 62.14%. There is another interesting fact, too, that the total number of employees in the banking sector in the time period from 2001 to 2009 almost returned to the same value (40,984 in the year 2001 and 36,670 in the year 2009), whereas the number of the employed in the three districts of Banat was halved. So, the offering of financial services was more and more concentrating towards big cities.

**Table 2:** Presence of banks in Banat District

		State-owned	Domestic	Private	Total
MIDDLE BANAT DISTRICT	Zitiste	1	0	1	2
	Zrenjanin	6	3	20	29
	Nova Crnja	0	0	0	0
	Novi Becej	1	0	5	6
	Secanj	2	0	1	3
	SUM	10	3	27	40
NORTH BANAT DISTRICT	Ada	1	0	2	3
	Kanjiza	2	0	5	7
	Kikinda	4	2	15	21
	Novi Knezevac	1	0	2	3
	Senta	3	0	9	12
	Coka	0	0	2	2
SUM	11	2	35	48	
SOUTH BANAT DISTRICT	Alibunar	0	0	1	1
	Bela Crkva	1	0	2	3
	Vrsac	3	2	17	22
	Kovacicica	0	0	1	1
	Kovin	1	0	2	3
	Opovo	0	0	1	1
	Pancevo	8	2	22	32
	Plandiste	0	0	3	3
SUM	13	4	49	66	

Source: Author's calculation based on data on Internet webpages of banks

The presence of individual banks in Banat's region is accounted for in Table 2 (ATMs have not been taken into account). The analysis was earned out by surfing the Internet webpages of all banks so as to make it possible for us to gain an insight into the points at which there are their organizational parts on the territory of the district of Banat. The results confirmed our expectations that the organizational network of the banks concentrated in bigger cities. It is interesting that, in smaller places, there were mostly state-owned banks, or those who had once been state-owned but transformed into privately-owned during the process of privatization. The most developed organizational network in the district of Banat, with 17 units, is the one of Banca Intesa. Yet, this bank concentrated its units in the most populated places. It is, then, followed by Komercijalna banka and Alpha bank and their 13 and 11 organizational units, respectively. It is important to mention that the Developmental Bank of Vojvodina is in the fourth place with its 10 organizational units, which in the year 2011 has only 1.5% of the total balance sheet sum of the banking sector.

#### 4. CONCLUSION

It is well known in economic literature and practice that bigger and more developed financial systems suggest a more advanced economy and a quicker economic growth. Performances of the banking system cannot be observed isolated from each other, without taking into consideration a wider social context of the effects they produce. Essentially, a lack of financial funds leads to a direct or indirect increase in the costs of an individual, economic subjects, regions or even the state.

The changes in the banking system of Serbia have been evident after the transformation which started in the year 2000. Efficiency, resources accessibility and numerous other indicators at the level of the whole system have increased. However, the system, the institutions operating within it and its regulatory bodies have not succeeded in offering an appropriate level of an even distribution of financial resources, which, consequentially, has been reflecting through an uneven economic growth of individual regions. Numerous research studies highlight the role of the state in providing a more even distribution of financial resources [1], [5]. They draw our attention to the fact that banks owned by the state have the most important role in an even allocation and better accessibility of resources, on condition that they exist within the banking system. Having in view the fact that 8 banks with a predominant share of the state-owned capital operate in Serbia, it is clear that these banks, together with the National Bank of Serbia, should play the key role in a better allocation of resources. Attempts to realize these ideas can be seen in the establishment of the Developmental Bank of Vojvodina, which, currently, bearing in mind the share of its balance sheet assets in the total ones, too, plays the most significant role in making an effort to offer a better access to financial resources.

#### REFERENCES

- [1] Classens, S. (2006) Access to Financial Services: A Review of the Issues and Public Policy Objectives, *The World Bank Research Observer*, vol. 21(2), p.233.
- [2] Marinković, S. (2008) *Finansijsko tržište i finansijske institucije u Republici Srbiji*, Ekonomski fakultet, Nis, str. 124-131.
- [3] Marinković, S., Ljumović I. (2010) Socijalna dimenzija pristupačnosti i kvaliteta bankarskih usluga u republici srbiji, *Ekonomika preduzeca*, broj. 3-4, str. 152
- [4] Ljumović, I. (2011) Efekti vlasničke transformacije bankarskog sektora Srbije - teorijska i empirijska analiza, *Teme*, Vol. 35, br. 1, Nis, str. 189-208.
- [5] Peachy, S., Roe, A. (2004) Access to Finance-What Does it Mean and How Do Savings Banks Foster Access? Brussels: World Savings Bank Institute, pp 31-32.
- [6] Pesaresi, N., Pilley, O. (2003) Retail banking, social exclusion and public service, EU Directorate-General - Competition.
- [7] Vuković, V. (2009) *Strukturne promene i performanse bankarstva Srbije 2002-2008*, Institut ekonomskih nauka, Beograd, str. 121.