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THE NEED TO DEVELOP CREDIT OPERATIONS THROUGH PUBLIC TREASURIES

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Abstract: *The global economic crisis has generated a lack of liquidity in national economies with very serious implications on the conduct of commercial transactions and business processes. The degradation of quality and competence in credit risk analysis is a harsh reality of today's practice due to both inadequate management of human resources in banks and the use of techniques and tools of analysis which have not addressed issues of economic activity that really matter. In these circumstances it is necessary that the public treasuries to develop credit operations to economic agents. The paper highlights the importance of credit through State Treasury.*
Keywords: *public treasury, credit, loan functions, regional development*

1. INTRODUCTION

The importance of the money market on the process of financing the national economy is eloquent in terms of the three categories of institutions operating in this market (the National Bank, State Treasury, local treasuries and banking institutions) and which, through the multiple functions that they have, contribute to financing economic agents and also ensuring the transmission of monetary policy impulses designed to ensure the stability of the entire economic and financial system. State Treasury represents a reliable institution for state authorities, required to meet, at any time, the budgetary funds established by law [5].

The existence of the surplus and demand for currency, the functioning of the financial and banking system, the existence of credit, payments between public institutions and economic entities by State Treasury are prerequisites of the money market operation. The money market has two major components, namely: the bank market and the interbank market.

Relationships that appear on the bank market are credit relationships, the banks being those which collect and distribute the surplus of money in the form of credit. In this sense, providing liquidities on the money market is one of the important functions of banks and the State Treasury, and to ensure a proper treasury becoming a problem whose solution requires many skills from authorized persons. Improper management of collections and payments in the actual currency could lead to panic among depositors in this market, and if the crisis is publicized, could lead to bankruptcy or even to a strong dismantle in the banking system. The way in which banking products are presented and made available to depositors depends on the withdrawal of excess amounts of currency with implications on monetary regulation.

Available funds collected are not randomly thrown in the money market and to any applicant, but only on the basis of efficiency criteria, contributing to the economic development of the country.

By imposing conditions on financial creditworthiness, lenders restrict credit in order to limit the risk and its dissipation on all borrowers. For those who meet these conditions, it creates additional purchasing power.

Through national currency management, the supervision of its relations with other countries currencies, making foreign currency sale-purchase operations, banks and the Treasury can provide some convergence of the national monetary market with foreign markets, in order to attract investors.

2. THE IMPORTANCE OF DEVELOPING CREDIT OPERATIONS BY THE STATE TREASURY

The formation of the money market sources is an early stage in the process of capitalization of the national economy. For these sources to participate effectively in the successful development of the process of capitalization it is necessary to be distributed through financial and credit instruments to those entities of national economy who are in the position of applicants. Distribution is done through specialized agencies, currently there are multitudes of financial and credit instruments at their disposal, so that the capitalization financing process to be made continuously and with little risk. The use of the term "financing of the capitalization process" is correct because the purpose of the capitalization itself as stated by an authority or by necessity involves finding levers and their financial support.

In the Romanian economy, the most common credit and financial instruments are divided into three major categories: credit, bank acceptance, bank guarantee.

Credit is identified from other financial instruments because it is directly involved, either in cash or as account payment of contractual obligations in the production process. Credits directly contribute to the financing of the current activities and to the investment in the capitalization process. To finance the current business, financial and banking institutions are providing the national economy a wide range of short-term loans of which the most important are: global operating loans, lines of credit, loans for financing costs and temporary stock, loans to finance expenditures and seasonal stocks, cash loans for products with a long manufacturing cycle, pre-financing export loans, loans for export of goods, loans for account facilities, overdraft loans.

The peculiarities of the capitalization process in different industries also make the categories of credit for operating activities to take into account their characteristics (agriculture, commerce, industry, etc.).

To finance investment activities and increase the capital, the financial banking system has the following types of loans: loans for equipment in addition to their sources, loans to buy shares, mortgages, loans for the leasing activity, the standard currency loans. These types of loans have been particularly important in accelerating the process of capitalization as they contribute effectively to the establishment of working capital (fixed and circular assets) and to increase capital by purchasing shares.

Although the literature considers that the category short-term loans also includes credits on documents (discount loan, order of payment credit and factoring operations), experience has shown that once these loans are available to economic agents, they can be used for financing both operating and investment activities.

The most important advantages offered by this category of loans in the process of capitalization are:

- the improvement of liquidity, the time-bargain turns into sight-bargain;
- the elimination of liability in the balance, reducing administration and recovery costs;
- failure to make additional guarantees;
- the analysis of issuer creditworthiness and not of the borrower;
- speed and efficiency in carrying out the transaction.

Failure to make additional guarantees enables economic agents to use the additional capital obtained in the process of capitalization (fixed and circular capital) for the guarantee of credits aimed at financing a different stage of this process.

Given that in the State Treasury lending operations will develop, the credit will meet its functions in an even greater extent, namely:

a) facilitating the growth of real capital in the economy through a more efficient use of existing production factors;

b) redistribution of capital between firms and industries, according to market demands for goods and services, stimulating the production of scale and scale economies and accelerating the economy transitions;

c) the function of issuing currency, increasing the rotational speed of currency and contributing to the sizing of monetary mass;

d) transforming savings into investment money, becoming a factor in economic growth and development;

e) positive influence on consumer spending, especially for high value goods and durables;

f) facilitating the country's external payments and promoting its external economic relations;

g) financing the budget deficit [1].

The continuous diversification of economic and financial transactions accompanied by new measures of monetary and credit policy necessarily requires the improvement of the financial and credit instruments and their use on a larger scale in the State Treasury [4].

3. PUBLIC TREASURIES AND REGIONAL DEVELOPMENT

The long-term development of the Romanian economy has to face some harsh realities and whose understanding may not be possible without the reorientation of policies on regional development. The process of regional financing and capitalization should therefore be treated with priority being given that the Romanian economy is poor now, compared to European countries in terms of the capital resulted in productive economic processes. The problems that the national economy is facing and whose resolution depends on the objectives of strengthening the market economy and increasing economic welfare, can be overcome only through a greater involvement of local treasuries in the financing process of regional development as a whole.

The implementation of regional development policies should be carried out in accordance with overall development objectives and priorities of Romania and the European Union's objectives in the economic and social cohesion. Since 2007 the financial flows between Romania and the EU have increased both in volume and diversity [3].

The implementation of regional development policy is based on several fundamental principles, namely: decentralization, partnership, planning and co-financing.

Regional development receives new valences in the current context of global economy to stimulate investment, reduce unemployment, diversify economic activities and ultimately improve living standards.

To achieve these goals we must first impose a proper capitalization in all areas. Sub-crediting and sub-capitalization of regions in transition to market economy have claimed the need to strengthen the role of credit as a real growth factor and to increase productive capital. The financing of the capitalization process of regions is an objective necessity.

The financing of Regional Development through the State Treasury must follow three major coordinates: capitalization of credited subjects, increased quality of loan portfolios and protecting the environment. That is why, we consider that it is desirable the development of the concept sustainable credit, introduced in literature in 2005 [2].

This would help to reduce regional imbalances, with an emphasis on encouraging balanced development and the revitalization of disadvantaged areas and preventing new imbalances. It will thus be a first step towards fulfilling the criteria for integration into the European Union and access to financial tools to assist member countries, namely structural and cohesion funds.

4. CONCLUSIONS

In order to develop lending operations on a large-scale by the State Treasury, are required several courses of action, namely:

1. The issue of a legislation to clearly define the status of the State Treasury as a creditor of the national economy and to protect the Treasury from fraud. In this regard the law must provide for the immediate commencement of prosecution and start the procedure of bankruptcy when it is proven that the trial balances are false and the statements of company administrators are not consistent with reality. The legislation should also strengthen the enforcement nature of the credit contract.

2. Increasing public treasuries requirements regarding payment of arrears to the state budget by companies that want a loan.

3. Rethinking the whole policy of recruiting treasury staff on the principles of competence and by stimulating and retaining human resources.

4. Expanding the powers of local treasuries in granting loans.

The use of credit directed in the Romanian economy by the State Treasury is an objective necessity for regional economic development funding. Given that capital is insufficient in most branches of national economy, directed credit financing is an alternative for the capitalization process.

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