BABEŞ-BOLYAI UNIVERSITY OF CLUJ-NAPOCA
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POSTGRADUATE SCHOOL

DOCTORAL THESIS

SUMMARY

IMPROVEMENT OF THE BUSINESS MODEL FOR COMMERCIAL BANKS IN THE CONTEXT OF EUROPEAN INTEGRATION OF BANKING MARKETS

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Structure of the Doctoral Thesis

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Key words: financial crisis, risk culture, risk identification and assessment**,** European integration, banking performance and risk management, banking business models, statistic models, financial-banking regulation, financial stability, banking technique and practice.

Introduction

Topicality of the research topic

Trust stood at the basis of the emergence of the banking phenomenon and it still represents today the determining factor in the banking activity. Up to the XIXth century, the banking system was structured in three specific fields: **banks of issue**, which held the monopoly in issuing national bank notes; **commercial banks**, which operated as financial mediation institutes; **specific financial** institutes - savings banks and credit cooperatives.

After the great economic crisis between 1929-1933, in order to rebuild people's trust in the banking system and to encourage savings, the USA adopts between 1932-1933 two separate laws known as the Glass-Steagall Act. However, in 1999 the Glass-Steagall Act is definitively recalled, thus its role as a protector of the American banking system for 50 years was over. One of the main reasons was also due to the form of organisation of the European banking system. Until the XXth century, **two types of banking systems** could be distinguished: **American**, which prohibited commercial banks from investing the means of depositors in corporate stocks and shares and the **continental banking system (European)**, which did not make an essential difference between traditional commercial banks and investment banks. The current crisis amplified the ample debates concerning which system is more viable, the European or the American one, questioning the viability of the Eurozone in its current form. Sceptics underline the fragility of the Eurozone due to the lack of a fiscal union and state that an entirely federal system, as the one in the USA, might have helped prevent certain distinctive characteristics of the crisis in the Eurozone (for instance, disproportionate debts in countries). Still the question remains, whether this is a proof that the Euro is not viable for a federal fiscal architecture. (Harjes *et all*., 2011)

The major current challenges of the banking system are determined by: the legislative framework, technological innovation (both hard and soft), as well as the significant changes in the business environment, the economical volatility, changing expectations of the clients and personnel, as well as the embracement of new technologies make it more and more difficult for banks to discover technological, strategic alternatives and to prioritize technological investments (Accenture, 2011); globalization. Philip Kotler (Kotler, Philip and Caslione, A.John, 2009) states that innovation and globalization are the two main forces which helped create a synchronised fragility in the global economy and although global interdependence is favourable for all in good times, in hard times it brings much uncertainty, strong shocks, which occur ever more frequently nowadays. The rapid pace of changes and the magnitude of shocks is the new normality, which requires, as Philip Kotler states, a **chaotic management system**. **We are in an era of turbulences, interconnections and interdependencies**. The new era of "turbulences" may be characterised by two theories of chaos and uncertainty: the **butterfly effect** and the **black swan**. Given these conditions, the above mentioned authors support the necessity of a risk insurance system and reaction to uncertainty, **the need for a model**, called by them **CHAOTIC**, through which the companies may learn to live with the risk (which is quantifiable) and with the uncertainty (which is not quantifiable), by three directions:

- **construction of an early warning system;**
- **a scenario construction system;**
- **a fast reaction system.**

Field of research - the field of research for this thesis includes the theoretical, methodological and practical aspects of the possibilities for improving the business model of commercial banks in the context of European integration of banking systems. The problem referring to the business model of commercial banks is a vast one, due to the complexity of banking activities as well as to the current economic-financial context, defined for the commercial banks in Romania, along with other influencing factors and the current global economic-financial crisis, concomitant with a European banking integration process. From this perspective, the complex systems sometimes seem too chaotic to recognise a pattern, being even difficult to build universally applicable patterns, but perhaps to determine certain factors which influence the systems and to establish the influence these factors have over the systems.

The motivation for choosing this research topic arose from the challenge of better understanding, **in the current context**, the problem and the current stage of European integration and especially of the financial-banking integration, both from the point of view of theoretical and actual endeavours existing in the day-by-day practice and the effect of this integration endeavour over the banking system in Romania in general and over the business model in particular. The vision of a bank's management determines the application of a certain business model in the banking field, the vision being also influenced by the appetite for risk of the commercial bank's management. The results of several institutions, such as: the European Banking Authority, the Central European Bank, the European Bank for Reconstruction and Development, the World Bank, the National Bank of Romania, the Basel Committee, the International Monetary Fund, the Romanian Banking Institute, etc., have been taken into consideration in the study carried out.

The main objective of the research - is to investigate the theoretical and practical aspects of the business model of commercial banks and of the possibilities for improving it, in the conditions of a European integration process, from a tight competition specific for a national system to a more ample competition specific for an integrated system. The scientific process consists in the identification of practices at a national and European level, as well as the determination of certain factors which influence the banking business model and of certain improvement tendencies of the business model of commercial banks.

In order to reach the main objective, the following **research methods** have been used: the analysis and synthesis method, induction (by selecting the opinions of specialists in the field concerning the studied topic) and deduction, the transversal method (following evolution and the means adopted throughout time), scientific abstraction, analogy, the systematic method, factor and comparative analysis method, scientific-mathematical methods (classification, comparative analysis, analysis of graphical representations, use of various data bases - Eurostat, World Bank, National Bank of Romania, Central European Bank, International Monetary Fund), quantitative and qualitative analysis, economic modelling and forecasting methods. As a result, a significant part of the thesis deals with fundamental (theoretical) research, resorting to the researches and studies of specialists in fields such as European integration, risk management, financial stability, using also documents and materials presented in various international studies.

Research objectives - the following objectives were set**:**

- deeper knowledge of fundamental concepts referring to the current context, banking system, integration, risk and risk management, financial stability;
- analysis of the evolution of the banking system in Romania, in the perspective of European integration;
- analysis of the impact of the specific regulations for banking systems;
- identification and assessment of financial and non-financial risks, current practice in the banking system in Romania and identification of the influences in the integration framework. Case studies concerning risk management;
- identification of best practice elements in the banks which operate in Romania, from the point of view of performance and risk management;
- study of the risk culture's elements and its main influences determined by shareholders, management and employees;
- analysis and impact of the banking business model;
- analysis and impact of statistic methods in defining successful models.

Structure and content of the thesis - considering the objectives of the research, the following structure was set for the thesis: introduction, three chapters, bibliography, attachments. The thesis ends with the general conclusions section, in which the author summarizes the main ideas, findings and proposals, limitations and perspectives gathered as a result of the theoretical and practical research.

Synthesis Chapter 1

The challenges of European integration for the banking market in Romania

The beginning of the XXIth century marks the turning point for the Romanian banking system, this point being in fact the end of a decade of multiple reforms and crises, which have characterized the formation of the banking system in Romania after 1989. On the other hand, throughout the past two decades, the economies in Central, Easter and South-Eastern Europe have made great progress in transforming their banking sectors from a system which was specific for the socialist system to one specific for market economies. These progresses have been and are measured by BERD using an Indicator of the banking system's reform. For Romania, with 3.3 out of 4 points, in 2008 it was considered that adjustments were still required.

In these moments, the decisions concerning the reform of the banking system in Romania will be based on the desire to join the European Union and will materialize in the radical alteration of the legislative system, which is specific for the financial-banking system, by assuming the European legislation, which is specific for this field, we will witness an unprecedented development of the network of territorial banking units and also a significant increase of European shareholding and management in the financial-banking system of Romania.

With a population of over 500 million and a GDI of over 11000 billion Euros, the European Union (EU) is one of the main actors on the global scene. It represents over one fifth of the volume of the global commerce. It is situated on the first position concerning the export of goods and services and it is a major source of direct foreign investments, as well as the main export market for more than 130 countries worldwide. The EU is the largest integrated market in the global economy and the second currency as a reserve currency in the world.

There have been several approaches in the assessment of the integration stage of banking systems (Gropp and Kashyap, 2009) and from these we would like to mention:

- the approach of cross-border bank mergers (Kohler, 2007; Kohler, 2009) - defined in fact by the lack of such offers in comparison with the number of internal mergers;

- another approach considers the analysis of integration starting from the analysis of the convergence of interest rates. Some authors (Adam *et all.*, 2002) have analysed this aspect from the point of view of corporate credits and loans on mortgage, analysing the convergence of interest rates for a period of five years. Other authors (Affinito and Farabullini, 2009) prove that in the Eurozone "the price" has a greater dispersion than in Italy, reaching the conclusion that "the prices of the Eurozone seem different because national banking products seem different or because these are differentiated according to national factors". However, some authors believe that the dispersion of interest rates may be entirely independent from the integration of banks (Gropp *et all.*, 2009);
- the newest approaches for the analysis of integration are those referring to the convergence of the banks' profitability (Gropp and Kashyap 2009). On the other hand, at a global level, some authors consider the profitability and capitalization of banks to be not only an integration factor, but also instruments which insure a stabile and safe situation (Blejer, 1998).

The common element of these approaches is the concept of convergence. Two approaches may be highlighted:

- convergence represents a dynamic process which is based on the application of certain social-economical policies intended to diminish the disparities between regions and countries in a given space. These are generally achieved by applying certain structural policies, for the purpose of obtaining increased economical growth parameters in the peripheral regions (called so not from the point of view of their geographical localisation, but from that of endowment with factors and economic performances in their use) which have undergone a period of economic downfall or did not manage to reach the economic performances of the region from which they are part of;
- the approach of convergence by tying it to the increase of economic similarities and performances of the regional and national economies in a given space

We witnessed in the European banking system, too, a series of regulation changes, fusions and technological progresses, cumulated conditions which have reformed the entire European banking market and therefore the European banking markets differ considerably from what they were in the past (Barros *et all.*, 2005). This direction has considered the increase of efficiency, the existence and benefits of a single European banking market which encourages cross-border competition and integrated financial growth. The current characteristics of the European banking markets have been analysed also from this perspective.

The current crisis has lead to numerous interpretations concerning the organisation and regulation means of the financial-banking system in each country, region and worldwide, some specialists (Roubini *et all.*, 2010; de Larosière *et all.*, 2009) recommending the tackling of problems such as random regulation or the paradox of selection possibilities; any new regulation needs to be applied from one end of the system to the other, to all the institutions not just only to those which might imply a seismic risk, to financial companies with systemic significance; the decrease of the principle of self-regulation.

The period of the past 4 years, which may be defined by uncertainty, is obvious. Therefore, two main problems may be tackled concerning the contamination as a result of cross-border systemic risks, but in parallel with the stability of national banking systems. The current crisis has brought into discussion the **reconsideration of regulations** and of the monitoring model in the financial field, based on two main directions directly influenced by the calculation formula of the capital adequacy report: one direction for the capitalization of banking institutions; one direction of each banking institution for the reconsideration of the strategic approach of client segments and the rethinking of specific products and services, in order to find the optimum ratio between the observance of specific regulations and in-house efficiency.

The structure of banking system and especially risk management regulation was shaped only in the XXth century. An important role in this field was that of the Basel Committee on Banking Supervision. According to it, the purpose of banking regulations is to correlate the value of the banking capital with the value of the risks assumed by banks. The Principles of the Basel Committee were assumed also by the European Banking Authority.

Synthesis Chapter 2

Current approaches concerning risk in the business model of commercial banks. Useful techniques and practices in the banking activity

Although, many times risk is associated with uncertainty, the distinction between the two terms has been approached ever since the beginning of the past century by Knight (Knight, 1921), uncertainty is specific for future situations and events, implying the fact that their future evolution is not known, not even under the form of probability. Unlike certainty, risk implies the partial knowledge of these probabilities. Knight’s theory is supported by the contemporary authors Kuritzkes and Schuermann (Kuritzkes and Schuermann, 2007), who define risk as being the potential deviation antagonistic to expected results, definition resembling the approach of risks on capital markets (Todea, 2003), who defines risk as the probability of loss which may be considered either as a real capital loss or a failure in achieving a certain expectation to win.

When dealing with banking risks in the present era, we need to bear in mind the variety of risks and the enhancement of their ampleness, which have been determined by the innovation process (Holzer and Millo, 2004) and the globalization phenomenon (Guill, 2001).

Even though, the term risk is a very topical one, it becomes less and less clearer, more complicated and debatable.

The need for a more improved risk management system is seen as urgent, along with the elaboration of certain additional regulations, in order for the banking system to be better prepared for the administration of new challenges generated by the crisis. One of the modern theories defines risk as the deviation from the estimated winnings or the equivalent of the winnings’ volatility and according to this banking risks are divided into two big categories: financial risks and non-financial risks. Financial risk is the direct result of the role played by banks as financial mediators or as an investor. The second risk category is common to all economic agents, being non-financial by its nature. In the identification and assessment of risks in the Romanian banking system, the structure of financial and non-financial risks was considered an appropriate analysis structure, presenting this analysis in chapter 2 of the thesis, approaching:

- **credit risk;**
- **market risk;**
- **liquidity risk;**
- **operational risk**.

The identification and assessment of the mentioned risks is carried out by resorting to theoretical concepts and practical methodological aspects found in the practice of commercial banks in Romania.

The theoretical and methodological basis for the identification, administration and assessment of banking risks, the control and financing of risks in banking institutions are approached and researched in the works of several authors, such as: Trenca I., Bătrâncea I., Făt C., Beju D., Alexander C., Basno C., Benninga S., Berkowitz J., Dardac N., Dănilă N., Greuning H., Bratanovic J., in reference works (Roxin, 1997), (Stoica, 2002),(Trenca, 2004), (Bătrâncea and Trenca, 2008).

Synthesis Chapter 3

Possibilities to perfect the business model of commercial banks

The modelling of a banking business plan needs to be carried out in tight correlation to the intended management scope, if the manager intends to double profit, he will thus take on a greater risk and if he intends to apply a development strategy starting from the minimization of risks, profits will be smaller but certain.

We would not have progress if we had avoided risk. History has shown us that great achievements always imply substantial risks taken on in one form or another. Instead of avoiding risk (which is impossible) we should develop a more detailed understanding of the way in which we can transform potentially negative results into opportunities. Risk management does not analyse what went wrong after a fait accompli - it is not an ex-post analysis. It is a process through which risk becomes transparent. It implies the search for new risks, their measurement and management. We need not bear in mind a single answer concerning risk - risk management is a cyclic process from which we learn, having several distinct phases: risk identification and risk analysis, which is an executive component and risk reaction, which is a vision-related component. The analysis of risk indicators, warning systems, scenarios or any other instrument should lead to an **appropriate and fast reaction of the bank's management**. In chapter 3, these problems were analysed and a study was developed referring to the impact of the management's decision on a credit portfolio, decision based on the use of early warning indicators. The use of correct instruments may determine a correct reaction. The lack of correct decisions based on appropriate instruments may cause afferent losses. Not necessarily the lack of reaction, but a delayed reaction may determine consequences for the banks, statistical modelling is more and more involved in the decision-making process.

Any entity survives in interdependence with the internal and external environment from which it is part of and therefore a company exists in relation to those surrounding it. From this point of view, two main tendencies may be observed in the development of a business model at the beginning of the XIIth century: the development of a durable business and corporate governance. In order to obtain enhanced efficiency, especially in the integrated markets, like the one which is specific for the European Union, banks are obliged to pay more attention to the best practices. But, in the same time, the increase of competition on these markets leads to an increase of assumed risks and this results in the regulation authorities' practice of offering a more prominent role to capital adequacy in prudential regulation. This has lead, of course, to the preoccupation of certain authors with the study of capital impact in these hypotheses (Repullo, 2004; Gropp and Heider, 2009), the impact of operational efficiency (Casu and Girardone, 2009) and that of business models (Demirgüc-Kunt and Huizinga, 2010) in banking systems. Some authors (Fioderlisi *et all.*, 2010) consider the fact that there is only a limited number of studies, which evaluate the inter-temporal relations between banking, capital and efficiency risks surprising.

While the first part of the chapter analyses the general tendencies in modelling a banking business strategy, further in the work the modelling of business is analysed depending on the risk position of a bank. Those models can be selected which are dynamic, consider the description of the past and the prognosis of the future, considering in what the banking system is concerned, the balance sheet, forecast of the financial result, forecast of the equity's movement. The relevance of the connection between risk and performance indicators is synthetically presented in the DuPont relation (Brendea şi Dăeanu, 2001), relation which analyses banking performances by comparing the risk with the profit obtained by the banking profit by balancing the winnings with the resulted losses (Predescu, 2005). Despite all these, certain specialists (ECB, 2010) **consider the capacity to generate the sustainability of profitability as being the definition of a successful bank.**

An analysis method may be determined starting from the success factor of a certain banking business model integrating the profitability factors - and especially ROE, analysis detailed in chapter 3. On the other hand, average income deviations and those of ROE, implying also an analysis of the market shares depending on the value of the credit portfolio of each banking company, are the basic elements of the EWS system used central banks in the prudent surveillance systems of banking systems (Moinescu, 2007).

The risk culture of an organization starts from the management. If this understands to define and to lead it's organisation's appetite for risk, then it needs an executive management team with solid expertise in business and risk. The management needs to be able to appreciate the risks taken (Tescher *et all.,* 2009).

In the specialised literature, we can find a classification of cultures according to the accepted risk level and the speed of feedback (Kennedy, 1982):

Building a culture in which the risk management is seen as a business mobilizing factor, implies starting with at least two general steps: **drawing a risk profile and constant communication.**

Top management and selling power needs to be characterised as a healthy defence line based on: durable risk/recovery thinking; relevant up-to-date information referring to risk; observance of limitations and other basic control methods.

The main challenge is, the way in which a bank can accelerate the development of its business and also insure a successful risk management, as a successful bank is one which integrates these concepts in its strategies. The entire organisation needs to possess the same scale of values and to act in the same direction (Dănilă, 2004).

Conclusions, limits and perspectives

Starting with the year 2000, Romania has known a strong economic growth (even though volatile because of agriculture), with an average of 6.1% between 2001 and 2007. Still, in this period the need was felt to change the pattern for economic growth from an increase based mainly on consumption to one based more on investments and exports, the adjustment of consume being also necessary.

The average increase of 6.1% in the mentioned period is 3 times bigger than the average performance of EU which was 2.1% in the same period.

In this context, a development of the Romanian banking system takes place, with special performance concerning ROE, this performance leading also to an afferent risk due to the concept according to which the assumption of larger profitability attracts greater risk and the assumption of smaller profitability attracts smaller risk.

The above mentioned approach might be a simple one, but analysis implies the consideration of the fact that the period between 2000 - 2008 meant a period of radical changes in the Romanian banking system, bearing in mind at least the following aspects:

- the economic development of Romania has lead to an increase in the bank mediation process (even if at a lower level than in other EU countries);
- a significant increase in the banking network (increase in the number of bank agencies - which implies a significant increase in the number of employees in the banking sector, as well as the development of the management abilities of such a banking network);
- the European integration process and the steps taken until the date of adherence have fundamentally changed the legislative foundation of the banking system and the role of the central bank.

In this context, in the year 2008 the global crises is triggered, a moment in which the necessity emerges to re-discuss, at a global level, the business model of commercial banks in general and risk management in particular. This topic remains an open one in case of Romania, as it is in full process of EU integration and the EU we are dealing with some of the most successful banking systems in the world, with the best practices including in risk management, from which we can mention:

- rethinking the organisational structure of credit departments;
- client segmentation;
- supporting a correct risk culture within the selling power;
- external auditing;
- drafting business plans depending on the major tendencies at the beginning of the XXIth century.

The business models of commercial banks are influenced not only by the geographic region, but also by the current context determined by:

- current global crisis;
- technological innovation (both hard and soft). On the other hand, significant changes in the business environment, economic volatility, changing expectations of clients and personnel, as well as the adaptation to new technologies make it more and more difficult for banks to discover technological, strategic and priority-related alternatives for technological investments;
- globalization.

Their influence and impact on the business models of commercial banks in the context of European integration. In this work, the influences determined by the following factors were identified and analysed:

- historical and geographical context, determined by the geographic position of Romania;
- the assumption of the European legislative model, from banking perspective, in a period preceding the European integration process;
- the existence at a European level of financial-banking institutional organisational models;
- the existence of European banking axes (North and West) with different approaches from the point of view of banking business (approach of profitability from the point of view of costs on the north axis and from the point of view of income on the west axis);

- shareholders and management coming from Europe (with influences determined also by the risk culture specific for the regions from which these originate);
- international banking regulations and especially the European ones (mainly the regulations of the Base Committee which, according to studies, will be globally assumed, while the European regulations applied only to commercial banks in Europe may lead to differences in competitiveness compared to the commercial banks from other parts of the world;)

Several guide points have been suggested in the scientific stage of the work:

- ⇨ *clarification of certain conceptual aspects concerning the European integration;*
- ⇨ *elaboration of an image concerning the evolution of the banking system in Romania after 1989 and up to the start of the crisis, as well as the current stage of the banking system in Romania in comparison with the European one;*
- ⇨ *determination of the useful techniques and practices in the identification and assessment of financial and non-financial risks;*
- ⇨ *use of statistical models for defining successful models;*
- ⇨ *identification and proposal of some good practice elements in the financial-banking field.*

Proposals resulting from the perspective of this work:

- ⇨ from the point of view of banking regulations, according to the specialists' opinion (Roubini *et all*., 2010; de Larosière *et all.*, 2009):
  - ➔ **any new regulation needs to be applied from one end of the system to the other, to all the institutions, not only to those which might imply a seismic risk, to financial companies with systemic significance.** A selective application of the law would be a mistake as financial mediation will move from the bigger and more regulated institutions to smaller and less regulated institutions and the **decrease of the self-regulation principle,** meaning the idea that the regulators may set some general principles according to which financial institutions may themselves find a way to conform to these. In addition, any latitude for the interpretation of regulations needs to belong not to the market operators but to the regulators;

  - ➔ the possibility to see the European banking regulations, including those of the European Banking Authority, as an **opportunity** from the perspective of improvement of the structure of bank balance sheet, of adaptation of the business strategy depending on the available resources, adaptation of banking products and services on client segments and according to the impact on the banks' balance sheet;
- ⇨ in the context of the current crisis, the practical application of a **CHAOTIC business model**;
- ⇨ considering the multitude and complexity of the factors influencing the business model of commercial banks, guiding the vision of the commercial bank's management in respect of the business model applied in practice depending on principles and values, from which we may distinguish the **development of a durable business** and **the application of corporate governance principles**;
- ⇨ in the context of European integration:
  - ➔ finding alternatives for banking capitalization in the attempt to reduce the dependence on resources coming from "mother" banks, thus reducing the possibility of contagion from countries with major problems. One of these alternatives may be determined by a policy of the management of a commercial bank in the direction of a **sustained profitability** (also considering current regulations referring to the adequacy of capitals, the existence of a profit of 50 million Euros might create the premise for additional exposures of approximately 450 million Euros, which might lead to a business growth for a commercial bank);
  - ➔ the use of performance and risk indicators adapted to the management's vision, the use of ROE and ROA in determining the performance level. On the other hand, average deviations of incomes and of ROE, also implying an analysis of the market shares depending on the value of the credit portfolio of each banking company, are the main elements of EWS systems used by central banks in the prudent surveillance systems of banking systems (Moinescu, 2007);
- ⇨ from the perspective of risk management:
  - ➔ changing the processes and fluxes of the banking activity, in the direction of simplifying and optimizing, also standardizing these. This may create the

premises for a profitable activity, for correct management decisions based on fast analysis (by using information systems) determined by qualitative inputs, bearing in mind the simplification even of hierarchical structures;

- ➔ considering credit risk: the correct administration of risk cost by developing appropriate policies for recovering arrears, using also European practices for this purpose, determining appropriate early warning indicators (trend of 30 days delay arrears in 6 months from the granting; implementation of information programs which based on the analysis of the clients' turnover, of the analysis of different payment incidents to classify priorities or signals for the "client's behaviour", determining the possibility of taking measures in time); carrying our quantitative analyses concerning the credits in default for the determination of the factors which have influenced the crediting decision (possible by computerizing the crediting activities, introducing computerised scoring systems also for the SME segment and not only for natural persons);
- ➔ concerning market risk: the use of different scenarios and tests for changing the interest rates and the exchange rate for time intervals of 1, 3, 6 months and their adjustment according to the day-by-day activity and not only semi-annually; the use of the VaR method for determining possible daily loss.
- ➔ concerning liquidity risk: great attention given to the optimal credit/deposit ratio, this ratio being used as an early warning indicator;
- ➔ concerning operational risk: introduction of quality indicators, including selling power (operational errors, returning credit applications, which might generate delays and affect the relationship with the client; the clients' opinion concerning service quality - waiting time, quantity and clarity of the received information, cost transparency; client maintenance and protection activities, etc.). Increased attention given to internal and external fraud aspects: the use of early warning signals also from this perspective (for instance, the **ratio of storage numbers in total operations** might indicate the existence of a fraudulent activity, by carrying out fictional cash deposit operations, which will influence the cash balance and the cancellation of these operations at the end of the day - the negative amounts

in the cash desk may be hidden using these types of operations); development of special departments for antifraud and for conformity within commercial banks.

By synthesising the suggestions mentioned above, at the end of the work, we recommend **three essential elements** for a successful business model:

1) **sustained increase of incomes and profit** (by optimizing costs, especially risk cost, appropriate use of capital) considering the fact that the newest approaches for analysing integration are those referring to the convergence of the banks' profitability (Gropp and Kashyap 2009). On the other hand, at a global level, some authors consider the profitability and capitalization of banks to be not only an integration factor, but also instruments which insure a stable and safe situation (Blejer, 1998);
2) **ongoing improvement of the balance sheet's quality**, starting from the context of current regulations, but also as a technical performance improvement element;
3) **value for the client**. According to some authors (de Bree, 2009), regardless of the period and situation, an organization has seven main elements which it needs to permanently consider for generating value for its clients. These seven elements are, on the other hand, the change beams. The seven elements creating value are:
   - ➔ persons and competences;
   - ➔ main objectives and values;
   - ➔ strategy;
   - ➔ business processes;
   - ➔ structure/design;
   - ➔ systems (including awarding and IT systems);
   - ➔ organisational culture.

The limits of the study are determined**:**

- first of all, by the complexity of the financial-banking system, which from this perspective leads to a limitation in the determination and analysis of all the factors influencing the business model of commercial banks;

- by the impossibility to determine a business model which is applicable to all commercial banks and generally valid. From this perspective, the management's vision and perspective on the business plays an important role.
- by the lack of statistical, financial-banking, data specific for certain stages previous to European integration, considering also the lack of transparency of the financial-banking sector in Romania, specific for the respective stages (unavailability of financial-accounting data of commercial banks);
- by the necessity to adapt the good practice from the European level to the particularities of the Romanian banking market. It is difficult to analyse the inverted process determined by the influence of local particularities over the "important" practices (for instance, the practice o insolvency, mandate and concordat preventive at a European level in comparison with local particularities);

In what the **research perspectives** are concerned, by referring only to two aspects numerous possible research and study directions have opened:

- even the **complexity** of the financial-banking activity, with numerous factors influencing the business model of commercial banks, a series of factors being able to determine ample researches, which are different from the direction of this work;
- the **current dynamics of the financial field** with major influences due to the current context, the technological innovation, the globalization phenomenon.

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