

Banking

Banks are intermediaries that collect deposits and other funds from the public and provide credit to the economy, in particular to enterprises and households. Banking activities have changed profoundly since the 19th century to the present day. At the time of its late political unification in 1861, Italy had a fragmented and antiquated credit system. Deposits and loans accounted for an extremely low percentage of Gdp and a considerable proportion of the exchanges between citizens took place using metallic coins. The backwardness of the banking system was a reflection of the lags in the real economy with respect to countries such as the UK, France and Germany. In the following 150 years the evolution of banks can be summed up with the metaphor of a “long run-up” (Onado 2003): as in the case of per capita income, the size of the Italian banking system gradually caught up with that in most European countries. Today, banks are spread over the national territory in a capillary network, offering clients the same range of services available in other countries, managing the payment system and with statistical indicators mostly in line with European averages.

From the 19th century to the 1920s, the banking system was subject to few public regulations. Subsequently, mainly due to the effect of the crises in the 1920s and '30s during the Great Depression, the State introduced some forms of regulation.

The evolution of the regulation and supervision of banks has influenced the statistics collected. This section presents the main time series on the banking system from 1861 onwards, in addition to the circulation of banknotes and metallic coins and postal financial products. The figures shown are the result of a study conducted by the *Banca d'Italia* for the 150th anniversary of Italian Unification (see De Bonis, Farabullini, Rocchelli and Salvio 2012) and subsequently updated.

Banking statistics

In the 150 years since Italian unification, the statistical sources on credit have been constantly improved, with the exception of a few brief periods. Their evolution can be divided into four periods.

From 1861 to the end of the 1880s. This interval runs from unification of Italy to the beginning of the most serious banking crisis of the 19th century, which contributed to the creation of the *Banca d'Italia* in 1893.

As in other countries, several types of bank have always existed in Italy, distinguished by institutional form and activity: banking corporations, savings banks, popular banks, cooperative credit banks (known in the past as rural and artisan banks), publically owned banks (at times with roots as far back as the Renaissance) and institutes that offered credit to the agricultural or construction sectors.

According to the 1882 Code of commerce, banking corporations were subject to greater transparency obligations than other types of corporation. It can be said that the State already marked a difference between banks and industrial enterprises, placing greater information duties on the former than the latter, probably because of the recurrent banking crises. All corporations were obliged to publish an annual balance sheet in the form of records filed with the Trade Tribunal Registry. Companies whose core business was to provide credit, on the other hand, had to publish a statement of their previous month's situation by the 8th day of the following month. The Official bulletin of corporations, *Monthly statements (Bollettino ufficiale delle società per azioni, Situazioni mensili)* was published in implementation of this regulation in the Code of commerce. The Bulletin was published up until 1916 by the Ministry of Agriculture, Industry and Commerce, where a “General Statistics Division” was active. The Ministry also collected statistics on other types of banks, such as savings banks and popular banks. Other sources for the period are the Yearbooks published by the Ministry of Finance and the Treasury, the Reports by the General Treasury Department, the balance sheets of individual banks and the records of category associations. The data sources show some gaps in certain years or there may be only partial collection of information for some types of enterprises.

A large part of the reconstructed statistics are drawn from the volumes edited by Renato De Mattia,

published in 1967, that form the main source of information on the banking system for the first thirty years after unification (in reality, statistics started already in 1845). The first volume of De Mattia shows the main assets and liabilities declared by banks, divided into institutional groups. De Mattia also presented statistics on the *Cassa Depositi e Prestiti* (Cdp – Deposit and Loan Bank). The offer of credit to public authorities by the Cdp and the three instruments of postal investment – postal current accounts, savings books and savings bonds - have always been a source of competition for banks (De Cecco and Toniolo 2000). Note that the Cdp was classified as part of the central government until 2003, and as a financial institution only from 2004 onwards.

From the 1890s to 1936. This interval runs from the foundation of the *Banca d'Italia* to the approval of the banking law (which remained in force up until 1993). At the beginning of the period, the main data sources were the same as those for the previous years: the Official Bulletin of Corporations. Monthly statements (published fortnightly since 1928; often indicated with the acronym *Busa situazioni*); the Official Bulletin of Corporations. Part II. Balance sheets; and the balance sheets published by individual institutes (see Cerrito 1996 for a complete description of sources).

After 1910, the quality of statistics deteriorated, in particular for corporations and popular banks. Due to World War I and the problems associated with the post-war situation, many intermediaries failed to file monthly statements or even balance sheets at tribunal registries.

There was an improvement in the quality of statistics following the first consistent regulation of the banking system, approved in 1926. The law subjected banks to obligatory auditing and inspections by the *Banca d'Italia*. As mentioned above, banking corporations were now obliged to submit statements on a fortnightly basis, and these had to be submitted to the *Banca d'Italia* within 5 days of being drawn up. The other types of credit institutions were required to send an annual balance sheet to the central bank in the month following their approval. Starting from 1926 many statistics began to appear in Istat publications, in the annual Reports of the *Banca d'Italia* and the Yearbooks of the Italian Banking Association (ABI).

The quality of statistics improved considerably with the Banking Law of 1936, which introduced a complete regulation of financial activities for the first time. From that date onwards, credit institutions have been subject to *Banca d'Italia* provisions on the technical form of balance sheets and periodical reports on accounts and on the publication and transmission of statistics to the central bank. Credit institutions included intermediaries who focused their activities on collecting deposits and providing short-term credit: banking corporations, national interest banks, credit institutions under public law, savings banks, popular banks, rural and artisan banks. These regulations on balance sheets and statistics did not apply to special credit institutions (agricultural, construction and public works institutions), which did not accept current account deposits from the public and relied mainly on bond issues for financing, providing medium- and long-term loans. Special laws, relating to each intermediary or sector of activity, governed special credit institutions.

The Banking Law founded the *Ispettorato per la difesa del risparmio e per l'esercizio del credito* (Savings and Credit Protection Inspectorate), a public agency chaired by the Governor of the *Banca d'Italia* with supervision powers over banks. In 1936, the Inspectorate began to publish a Bulletin, which substituted the *Busa Situazioni*, maintaining the same accounting frameworks, but reinstating the publication of balance sheets for popular banks, which had gradually become less frequent after World War I.

The most complete reconstruction of the figures for the period between the end of the 19th century and 1936 is found in the volume edited by Cotula et al. in 1996. De Mattia had presented statistics up until 1936 but the 1996 volume improved the comparability over time for the time series, covered a higher number of the existing credit institutions and provided additional detail regarding the technical form of profit and loss transactions (see Cotula and Raganelli 1996, Sannucci 1996). The reconstruction of the figures covered credit institutions but not those intermediaries which would become known as special credit institutions in 1936, leaving De Mattia's work as the main source of information on these.

From 1937 to the 1960s. In the early part of this period, statistics received a boost from Giorgio Mortara and Paolo Baffi,¹ on the initiative of the Governor of the *Banca d'Italia* Vincenzo Azzolini who, in 1936, decided to strengthen the Research Department.

After World War II, which interrupted the collection of information from banks, the main source of statistics became the Monthly Bulletin published by the *Banca d'Italia* Economic Research Department, created at the end of 1945. The Savings and Credit Protection Inspectorate closed down and its supervision duties passed to the *Banca d'Italia*. With respect to the years before 1936, the collection of banking statistics

¹ Giorgio Mortara was a professor of methodological and economic statistics at the Bocconi University. Mortara was later offered a position as consultant at the Banca d'Italia, to work on setting up statistics. In 1936 Paolo Baffi, one of Mortara's students, was taken on by the Banca d'Italia. Together, Mortara and Baffi designed the data collection system (Gigliobianco 2006).

was characterised by its centralisation at the *Banca d'Italia*. Given the choice imposed by the Banking Law, the figures on credit institutions in the Bulletin were always divided from those on special credit institutions. Supplements to the Bulletin were introduced in 1948. In 1965, the Annual Report of the *Banca d'Italia* began to include a statistical appendix.

The volume edited by Cotula in 1999 reconstructed many statistics for the 1937-1965 period, drawn mainly from the Bulletin (see the contribution by Garofalo and Colonna).²

From the 1970s to 2010. This period is distinguished by considerable discontinuity with the previous interval. New developments in technology and regulations resulted in significant changes in the production and publication of data. Paper forms were gradually abandoned as a means of data collection in favour of electronic records. In 1974, credit statistics were completely overhauled, removing obsolete measurements and introducing a matrix of accounts (see Biscaini 1983 and Camaiti 1983). This matrix is an integrated structure with lines showing the items on bank balance sheets and columns showing information on banking aggregates, such as the duration of transactions, the residence and sector of the counterparty and the currency. The matrix, initially applied to 90 credit institutions, extended in 1989 to all credit institutions (with the exception of cooperative credit banks, which saw the introduction of a "reduced" form of matrix). Regarding the publication of data, in 1991 the Bulletin became the Statistical Bulletin and began to be published on a quarterly basis, as it still is today, although most of the Supplements to the Statistical Bulletin continued to be published each month.

In 1993, the Consolidated Banking Law abolished the principles of institutional specialisation and time limits for credit activities that had been in force since 1936. The different types of credit institutions reduced to three: banking corporations, popular banks and cooperative banks. The distinction between credit and special credit institutions was erased, and as a result, a new matrix of accounts was introduced in 1995, covering all types of banks. In the second half of the 1990s, statistics publications no longer presented separate tables for figures from credit institutions and special credit institutions, simply presenting aggregates for the whole range of banks. The *Banca d'Italia* created a public information base (Bip) for the automatic production of paper statistics publications and to publish figures in electronic format (cd-rom).

In 1998, statistics also began to be published online. Since 2002, the presentation of statistics on the *Banca d'Italia* website has improved, introducing an interactive database (online Bip) in addition to pdf publications, allowing users to navigate, view and download statistics. In 2004, following improvements to online Bip services, the Internet became the preferred channel, gradually substituting publication through traditional channels (cd-rom and paper publications). In 2009, the statistics section of the *Banca d'Italia* website was completely renovated. In 2014 a new Statistical Database (or Base Dati Statistica, Bds) substituted the Bip, making a very wide range of indicators and aggregates available to the public. The Bds is accessed via a dedicated application to allow many different ways of interacting with the database; for instance, it is possible to display the statistics in form of graphs. At the end of 2014, the Internet site of *Banca d'Italia* was completely revised; the Statistics section was also reorganised, regrouping the different publications in homogeneous areas.

Warning for time series comparisons

- The series presented are the result of a reconstruction of banking aggregates and other monetary statistics from 1861 to 2010 (or up to 1993), here published for the first time (see De Bonis, Farabullini, Rocchelli and Salvio, 2012 for further details). The figures are comparable over time and updated to 2015.
- The time series on banks include the institutional categories that were in existence in the various periods. The figures are not available for some categories in certain years. This applies to branches of foreign banks from 1911 to 1923; to rural and artisan banks, for which there are no data for most of the years up until 1926 and from 1937 to 1944. However, the impact of these missing data on the reconstructed series is negligible. Bank time series do not include the data of *Cassa Depositi e Prestiti* (Deposit and Loan Bank).
- In the 19th century and for a large part of the 20th, deposits mainly included deposits on current and savings accounts. Since the 1980s, deposits have also included those with pre-established maturities (e.g. certificates of deposit) and repurchase agreements.

² Many tables presented in this volume also appear in the time series section on the *Banca d'Italia*'s website (<http://www.bancaditalia.it/statistiche/storic>).

- Loans do not include non-performing loans. The counterparty sectors are enterprises, households and public authorities.
- Both deposits and loans refer to transactions with residents, and do not include interbank transactions.
- In 1993, the series on loans by special credit and credit institutions was interrupted, as the distinction between the two was abolished. In the same year, the figures on loans divided by the main institutional categories of credit institutions were also discontinued, since the Consolidated Banking Law cancelled most of the institutional banking groups.
- Post office savings books were introduced in 1876, when post offices began to accept public savings.
- In 1919, post office current accounts were first created.
- In 1925, savings bonds were first issued.