

# The Evolution of Bank Lending at Regional Level in Romania

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**Abstract:** As a result of the economic and financial relapses following the international financial crisis started in 2007, the examination of the way in which the bank lending of the non-financial companies at regional level in Romania evolved is relevant on the one hand, by presenting the transformations suffered by the credit conditions, and, on the other hand through its implications on the level of regional development, the absorption of structural and cohesion funds offered by the European Union, access to financing, as and the use of new financing methods. The approach by which this research is carried out is based on a qualitative method, and considers the collection, analysis and interpretation of the data from 2015 and 2019 included in the surveys and statistical studies carried out by the specialists of the National Bank of Romania and other Romanian institutions. The results of research underline a sustained correlation between the evolution of bank lending and the other aspects mentioned above, highlighting the importance of access to bank financing at territorial level in order to increase the level of regional development in Romania.

**Keywords:** bank lending, credit conditions, regional development, European funds absorption

**JEL Classification:** G21, G32

## 1. Introduction

As a result of the economic and financial relapses following the international financial crisis started in 2007, the examination of the way in which the bank lending of the non-financial companies at regional level in Romania evolved is relevant on the one hand, by presenting the transformations suffered by the credit conditions such as lending standards, lending terms, credit demand and credit risk evolution, and, on the other hand through its implications on the level of regional development, the absorption of structural and cohesion funds offered by the European Union, access to financing, as and the use of new financing methods.

The approach by which this research is carried out is based on a qualitative method, and considers the collection, analysis and interpretation of the data from 2015 and 2019 included in the surveys and statistical studies carried out by the specialists of the National Bank of Romania and other Romanian institutions.

The results of research underline a sustained correlation between the evolution of bank lending and the other aspects mentioned above, highlighting the importance of access to bank financing at territorial level in order to increase the level of regional development in Romania.

The paper defines its originality by synthesizing and aggregating data on the credit of non-financial companies and households at local level, on counties and NUTS II regions, by interpreting the results obtained with an impact on the development at regional level and with highlighting possible measures to be taken at macro and microeconomic level.

The present research is limited by

considering only a qualitative research methods, in the current context, it is necessary if a quantitative research of economic care type is necessary to highlight the influence of the evolution of the lending at territorial level in Romania, in the case of entrepreneurship development at the level local, accessory and absorption of European funds non-reimbursable at local level, as well as increases of the local level of the local community.

## 2. Literature review

The present paper tries to make a synthesis of the information collected by the author from different bodies and institutions specialized in the economic field, to reflect on the influence exerted by the current level of bank lending in the territory on the level of regional development of Romania.

As a result of overcoming the economic and financial difficulties and uncertainties manifested as effects of the international financial crisis, Romania is currently facing new challenges due to changes in the international trading system worldwide, the inevitable BREXIT and the contrasting economic developments at Union level. European, and internally, as a result of the political instability with propagating effects on the economic-financial and social fields.

Thus, the references envisaged by the author are based more on the official resources and documents, than on the authors' research, the latter being limited to the following references.

An econometrical analysis on regional development in Romania considers that „one of the goals of the national development policy is to support the sustainable economic and social growth of regions territorially balanced

in Romania, in order to reduce economic and social inequalities among regions" (Motica, 2019).

The paper of Herman & Nistor shows the importance of competitive advantage at territorial level in order to attract resources at regional level: „after identifying some competitive advantages of each region, some strategies are designed to foster the development [...] and efficient resource utilization" (Herman & Nistor, 2017).

Another research highlights „the peculiarities of the county distribution by the size of credits" for both individuals and non-financial institutions in order to determine „which are the most important users of banking credits, at county level, in the post crisis period, in Romania" (Stoica, 2015).

The author of this paper also conducted different analysis in order to evidence multiple features of bank lending in Romania after the financial crisis. One of them (Leoveanu, 2015) points out that after crisis „banks have substantially reduced the funds assigned for financing business, especially the small and medium enterprises. According to analysts' estimates, over 90% of Romanian companies have difficulty in

accessing funding for existing business in order to exploit opportunities for delivering growth business". In a paper of 2016 the author presents that "the last [...] years was characterized by the private sector credit growth, especially in households and the fact that loans in lei is the main driver of credit growth in Romania" (Leoveanu, 2016).

### 3. Research methodology

The approach by which this research is carried out is based on a qualitative method, and considers the collection, analysis and interpretation of the data from 2015 and 2019 included in the surveys and statistical studies carried out by the specialists of the National Bank of Romania and other Romanian institutions.

A review of the main macroeconomic indicators of Romania is concretely necessary to be carried out in the circumstances in which the analysis of the bank lending at regional level is made, namely in counties and NUTS II development regions.

On these considerations, the important indicators on the Romanian financial market are highlighted first in the table below.

Table no. 1 Romanian financial market indicators in 2019

Markets	Last	Reference	Previous	Range	Frequency
Currency	4.29	Dec/19	4.29	0.26 : 4.38	Daily
Stock Market (points)	9880	Dec/19	9779	281 : 10858	Daily
Government Bond 10Y (%)	4.74	Dec/19	4.75	2.66 : 14.01	Daily

Source: Tradingeconomics, <https://tradingeconomics.com/romania/indicators>

Also, it is necessary to highlight the important macroeconomic indicators from the point of view of evaluating the current economic situation in the perspective of the accession to the euro area of our country.

From the presentations made in the tables one can easily observe a worsening of these macroeconomic indicators for Romania,

given that, at the level of 2015, all the nominal convergence criteria regarding the accession to the euro area were met by Romania, and the situation of the real convergence indicators of the Romanian economy with the economies of the euro area countries is at the highest level compared to the current level.

Table no. 2 Romanian macroeconomic indicators in 2019

Overview	Last	Reference	Previous	Range	Frequency
<b>GDP Growth Rate (%)</b>	0.6	Sep/19	0.8	-7.1 : 6.1	Quarterly
<b>GDP Annual Growth Rate (%)</b>	3	Sep/19	4.4	-7.4 : 12.6	Quarterly
<b>Unemployment Rate (%)</b>	4	Oct/19	4.1	3.8 : 8.7	Monthly
<b>Inflation Rate (%)</b>	3.8	Nov/19	3.4	-3.5 : 317	Monthly
<b>Interest Rate (%)</b>	2.5	Nov/19	2.5	1.75 : 12.5	Daily
<b>Balance of Trade (EUR Million)</b>	-1969	Oct/19	-1188	-2542 : 138	Monthly
<b>Current Account (EUR Million)</b>	-765	Sep/19	-1011	-2344 : 831	Monthly
<b>Current Account to GDP (%)</b>	-4.5	Dec/18	-3.2	-13.6 : 6.6	Yearly
<b>Government Debt to GDP (%)</b>	35.1	Dec/18	35.2	6.6 : 39.2	Yearly
<b>Government Budget (% of GDP)</b>	-3	Dec/18	-2.7	-9.1 : 0.5	Yearly
<b>Retail Sales MoM (%)</b>	0.8	Oct/19	0.9	-9.8 : 11.2	Monthly
<b>Corporate Tax Rate (%)</b>	16	Dec/19	16	16 : 38	Yearly
<b>Personal Income Tax Rate (%)</b>	10	Dec/19	10	10 : 48	Ye

Source: Tradingeconomics, <https://tradingeconomics.com/romania/indicators>

According to Tradingeconomics website the credit conditions in Romania have suffered significant changes since 2015 highlighted like this: „Standard & Poor’s credit rating for Romania stands at BBB- with negative outlook. Moody’s credit rating for Romania was last set at Baa3 with stable outlook. Fitch’s credit rating for Romania was last reported at BBB- with stable outlook. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Romania thus having a big impact on the country’s borrowing costs. This page includes the government debt credit rating for Romania as reported by major credit rating agencies” (Tradingeconomics, 2019).

The analysis of regional bank lending by the author was based on the collection of data from the National Bank of Romania on territorial lending in Romania, on calculating and highlighting the level differences between 2015 and 2019 in total, for non-financial companies and for households, as well as interpreting the results at the level of NUTS II development regions with identifying the size of the impact of bank lending on the regional development, as well as the inverse

influences in the current economic situation.

The author’s analysis targeted bank lending in lei at the regional level in total, associated with companies and also taking into account households. The data and calculations are presented successively in tables no. 3 and no. 4 for the years 2015, respectively 2019.

In the non-financial companies sector, the lending conditions are characterized at the level of 2019 as compared to 2015 such as: a) the lending standards recorded a tightening in 2019, according to the size of the companies and the maturity of the loans; b) the terms of the lending that registered changes were the spread of the average interest rate on loans to IRCC / ROBOR, respectively the first one applied for the most risky loans, which has recorded an increase of the same intensity; c) the demand for loans from companies increased marginally at the aggregate level, the evolution due to the small and medium-sized companies; d) regarding the evolution of the credit risk, depending on the size of the companies, the banks evaluate a moderate growth in the case of medium enterprises and corporations (NBR, 2019a).

Table no. 3 The territorial structure of bank loans granted to non-financial companies and households in 2015

NUTS II Regions	Oct-15				
	National currency loans	Nonfinancial companies	% of total	Households	% of total
<b>Regiunea NE</b>	<b>10800.13</b>	<b>5491.25</b>	<b>0.51</b>	<b>5295.78</b>	<b>0.49</b>
BACĂU	2,485.4	1,551.7	0.6	932.4	0.38
BOTOȘANI	951.4	462.4	0.5	486.3	0.51
IAȘI	3,276.6	1,299.1	0.4	1,970.2	0.60
NEAMȚ	1,305.9	680.5	0.5	625.0	0.48
SUCEAVA	1,720.8	952.6	0.6	766.9	0.45
VASLUI	1,059.9	544.9	0.5	515.0	0.49
<b>Regiunea SE</b>	<b>11534.09</b>	<b>5912.65</b>	<b>0.51</b>	<b>5526.86</b>	<b>0.48</b>

BRĂILA	1,299.4	692.0	0.5	606.8	0.47
BUZĂU	1,630.0	801.0	0.5	780.2	0.48
CONSTANȚA	4,489.0	2,323.6	0.5	2,124.0	0.47
GALAȚI	2,058.5	1,031.4	0.5	1,023.5	0.50
TULCEA	914.1	415.8	0.5	498.3	0.55
VRANCEA	1,143.1	648.9	0.6	494.1	0.43
<b>Regiunea Sud Muntenia</b>	<b>10489.85</b>	<b>4900.40</b>	<b>0.47</b>	<b>5564.13</b>	<b>0.53</b>
ARGEȘ	2,985.7	1,425.6	0.5	1,557.4	0.52
CĂLĂRAȘI	944.6	552.6	0.6	381.6	0.40
DÂMBOVIȚA	1,056.5	358.1	0.3	692.0	0.65
GIURGIU	585.8	269.2	0.5	316.6	0.54
IALOMIȚA	941.8	500.7	0.5	440.8	0.47
PRAHOVA	3,071.6	1,353.7	0.4	1,713.4	0.56
TELEORMAN	903.8	440.5	0.5	462.4	0.51
<b>Regiunea SV Oltenia</b>	<b>8923.82</b>	<b>4851.73</b>	<b>0.54</b>	<b>4067.92</b>	<b>0.46</b>
DOLJ	3,551.2	2,008.2	0.6	1,541.0	0.43
GORJ	1,987.4	1,238.4	0.6	748.9	0.38
MEHEDINȚI	730.5	259.1	0.4	471.3	0.65
OLT	1,072.4	445.1	0.4	626.9	0.58
VÂLCEA	1,582.4	900.8	0.6	679.9	0.43
<b>Regiunea Vest</b>	<b>8081.73</b>	<b>3454.51</b>	<b>0.43</b>	<b>4613.40</b>	<b>0.57</b>
ARAD	1,686.9	741.8	0.4	938.8	0.56
CARAȘ-SEVERIN	673.4	234.8	0.3	436.6	0.65
HUNEDOARA	1,409.2	447.3	0.3	960.7	0.68
TIMIȘ	4,312.2	2,030.6	0.5	2,277.3	0.53
<b>Regiunea NV</b>	<b>12644.48</b>	<b>6767.63</b>	<b>0.54</b>	<b>5687.68</b>	<b>0.45</b>
BIHOR	2,586.2	1,363.5	0.5	1,220.8	0.47
BISTRIȚA-NĂȘĂUD	884.3	451.6	0.5	432.6	0.49
CLUJ	5,127.5	2,509.6	0.5	2,436.0	0.48
MARAMUREȘ	1,747.5	1,014.4	0.6	728.6	0.42
SATU MARE	1,456.5	935.4	0.6	520.6	0.36
SĂLAJ	842.5	493.3	0.6	349.0	0.41
<b>Regiunea Centru</b>	<b>10500.46</b>	<b>5404.40</b>	<b>0.51</b>	<b>5077.36</b>	<b>0.48</b>
ALBA	1,331.8	678.3	0.5	651.3	0.49
BRAȘOV	3,954.3	2,270.1	0.6	1,680.7	0.43
COVASNA	547.1	225.6	0.4	321.2	0.59
HARGHITA	674.9	337.6	0.5	337.1	0.50

MUREȘ	1,787.5	830.3	0.5	955.6	0.53
SIBIU	2,204.8	1,062.4	0.5	1,131.4	0.51
<b>Regiunea Bucuresti-Ilfov</b>	<b>35,848.8</b>	<b>18,180.6</b>	<b>0.5</b>	<b>15,044.6</b>	<b>0.42</b>
<b>TOTAL</b>	<b>108823.35</b>	<b>54963.19</b>		<b>50877.69</b>	

Source: NBR, Statistic Database and Author's calculations

In the households sector, the lending conditions are characterized at the level of 2019 as compared to 2015 such as: a) the lending standards experienced a tightening from 2015 to 2019, both in the case of consumer loans and in the case of real estate loans granted to the population; b) the terms of the credit recorded the moderate tightening

of the spread of the average interest rate on loans to IRCC/ROBOR in the case of consumer loans and in the case of loans for the purchase of housing and land granted to the population; c) the population's demand for loans registered an increasing evolution towards 2019, for both segments of the population's credit (NBR, 2019a).

Table no. 4 The territorial structure of bank loans granted to companies and households in 2019

NUTS II Regions	Oct-15				
	National currency loans	Nonfinancial companies	% of total	Households	% of total
<b>Regiunea NE</b>	<b>7010.73</b>	<b>3621.91</b>	<b>0.52</b>	<b>3387.24</b>	<b>0.48</b>
BACĂU	970.57	457.24	0.47	513.25	0.53
BOTOȘANI	444.60	174.70	0.39	269.89	0.61
IAȘI	3970.31	2433.66	0.61	1535.77	0.39
NEAMȚ	623.32	278.62	0.45	344.13	0.55
SUCEAVA	699.71	219.57	0.31	480.11	0.69
VASLUI	302.22	58.12	0.19	244.09	0.81
<b>Regiunea SE</b>	<b>6436.74</b>	<b>3096.76</b>	<b>0.48</b>	<b>3311.05</b>	<b>0.51</b>
BRĂILA	503.6	225.5	0.4	278.1	0.55
BUZĂU	759.4	443.3	0.6	305.7	0.40
CONSTANȚA	3,192.2	1,542.3	0.5	1,646.2	0.52
GALAȚI	1,075.3	440.8	0.4	623.9	0.58
TULCEA	427.0	220.0	0.5	202.7	0.47
VRANCEA	479.3	224.9	0.5	254.4	0.53
<b>Regiunea Sud Muntenia</b>	<b>4587.02</b>	<b>2306.02</b>	<b>0.50</b>	<b>2278.43</b>	<b>0.50</b>
ARGEȘ	1,419.9	637.7	0.4	781.8	0.55
CĂLĂRAȘI	135.7	2.0	0.0	133.5	0.98
DÂMBOVIȚA	814.3	581.5	0.7	231.0	0.28

GIURGIU	183.0	49.8	0.3	133.2	0.73
IALOMIȚA	170.5	22.5	0.1	147.9	0.87
PRAHOVA	1,702.0	996.2	0.6	705.7	0.41
TELEORMAN	161.6	16.4	0.1	145.2	0.90
<b>Regiunea SV Oltenia</b>	<b>3357.39</b>	<b>1497.91</b>	<b>0.45</b>	<b>1845.93</b>	<b>0.55</b>
DOLJ	1,401.9	533.0	0.4	868.2	0.62
GORJ	289.2	120.1	0.4	169.1	0.58
MEHEDINȚI	371.2	120.3	0.3	250.9	0.68
OLT	815.6	579.1	0.7	230.6	0.28
VÂLCEA	479.5	145.4	0.3	327.2	0.68
<b>Regiunea Vest</b>	<b>6028.25</b>	<b>3354.47</b>	<b>0.56</b>	<b>2669.14</b>	<b>0.44</b>
ARAD	1,225.4	731.6	0.6	493.4	0.40
CARAȘ-SEVERIN	193.9	40.9	0.2	152.9	0.79
HUNEDOARA	413.6	119.9	0.3	291.3	0.70
TIMIȘ	4,195.3	2,462.0	0.6	1,731.6	0.41
<b>Regiunea NV</b>	<b>9610.45</b>	<b>4899.70</b>	<b>0.51</b>	<b>4167.63</b>	<b>0.43</b>
BIHOR	1,957.9	1,074.9	0.5	876.7	0.45
BISTRIȚA-NĂȘĂUD	701.3	424.9	0.6	274.9	0.39
CLUJ	4,810.3	2,300.4	0.5	1,986.6	0.41
MARAMUREȘ	902.5	446.5	0.5	451.0	0.50
SATU MARE	965.7	610.2	0.6	348.4	0.36
SĂLAJ	272.9	42.9	0.2	230.0	0.84
<b>Regiunea Centru</b>	<b>8831.18</b>	<b>5509.30</b>	<b>0.62</b>	<b>3313.96</b>	<b>0.38</b>
ALBA	1,509.3	1,118.6	0.7	388.1	0.26
BRAȘOV	3,607.6	2,361.2	0.7	1,245.7	0.35
COVASNA	185.7	81.5	0.4	104.1	0.56
HARGHITA	285.1	178.6	0.6	106.5	0.37
MUREȘ	1,514.9	916.3	0.6	594.2	0.39
SIBIU	1,728.6	853.1	0.5	875.5	0.51
<b>Regiunea Bucuresti-Ilfov</b>	<b>45,055.6</b>	<b>26,776.7</b>	<b>0.6</b>	<b>13,993.7</b>	<b>0.31</b>
<b>TOTAL</b>	<b>90917.42</b>	<b>51062.77</b>		<b>34967.07</b>	

Source: NBR, Statistic Database and Author's calculations

As a corollary of the analysis made in the two tables, the differences between 2015 and 2019 are highlighted below, by calculating the deviations in total, for non-financial companies and for households. One can say,

there is a decrease in bank lending in 2019 compared to 2015, both in total and in terms of non-financial companies and households (NBR, 2019b).



Table no. 5 Deviation 2019/2015 in total, for nonfinancial companies and for households  
by territorial structure of bank loans

NUTS II Regions	Total Deviation 2019/2015	Companies Deviation 2019/2015	Households Deviation 2019/2015
Regiunea NE	-0.35	-0.34	-0.36
Regiunea SE	-0.44	-0.48	-0.40
Regiunea Sud Muntenia	-0.56	-0.53	-0.59
Regiunea SV Oltenia	-0.62	-0.69	-0.55
Regiunea Vest	-0.25	-0.03	-0.42
Regiunea NV	-0.24	-0.28	-0.27
Regiunea Centru	-0.16	0.02	-0.35
Regiunea Bucuresti-Ilfov	0.26	0.47	-0.07

Source: Author's calculations

#### 4. Results and discussion

At the total level, the regions SV Oltenia and Sud Muntenia are experiencing decreases of more than 50%, the same trend being maintained in the case of split loans by type of debtor. The evolution of lending in the other regions can be highlighted in the same measure, thus noting Regiunea Centru, Regiunea NV and Regiunea Vest regions with significantly lower negative deviations from the regions highlighted above, to be highlighted the Centru region with a positive deviation this time regarding loans granted to non-financial companies. The only region that shows positive credit growth is the region Regiunea Bucuresti-Ilfov.

The impact of the changes regarding the macroeconomic conditions and the credit conditions regulated at the level of the NBR, but also of each bank, will have and will have major consequences on the regional economic development of Romania through the following evidences:

- diminishing the potential of the companies regarding the assurance of the support through borrowed funds from the banks

of accessing the non-reimbursable European funds necessary for the development of the existing non-financial companies and the start-ups that must be set up at regional level;

- diminishing the potential for raising the standard of living by improving living and working conditions at the level of individual households;

- diminishing the potential of creating optimal conditions for ensuring the improvement of the infrastructure of all types at the local and regional level;

- indirectly and negatively affecting the conditions regarding education, health and culture at the level of small and medium-sized localities.

#### 5. Conclusions

The present paper tries to make a synthesis of the information collected by the author from different bodies and institutions specialized in the economic field, to reflect on the influence exerted by the current level of bank lending in the territory on the level of regional development of Romania.

The analysis of regional bank lending by the author was based on the collection of data from the National Bank of Romania on territorial lending in Romania, on calculating and highlighting the level differences between 2015 and 2019 in total, for non-financial companies and for households, as well as interpreting the results at the level of NUTS II development regions with identifying the size of the impact of bank lending on the regional development, as well as the inverse influences in the current economic situation.

The paper defines its originality by synthesizing and aggregating data on the credit of non-financial companies and households at local level, on counties and NUTS II

regions, by interpreting the results obtained with an impact on the development at regional level and with highlighting possible measures to be taken at macro and microeconomic level.

The present research is limited by considering only a qualitative research methods, in the current context, it is necessary if a quantitative research of economic care type is necessary to highlight the influence of the evolution of the lending at territorial level in Romania, in the case of entrepreneurship development at the level local, accessory and absorption of European funds non-reimbursable at local level, as well as increases of the local level of the local community.

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