

STUDY ON THE LEVEL OF LENDING TO ECONOMIC SECTORS IN ROMANIA

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Abstract: *This paper analyses the evolution of loans granted by credit institutions by sectors of activity in Romania in the period 2000-2019. Total credit volume increased in the analysed range of 20.3 times, experiencing oscillating developments from one sector to another. Loans for financing the primary sector (agriculture) increased by 22.6 times over the period 2000-2019, with a sharper increase in lending to this sector after the financial crisis of 2008-2010. In the first years after the year 2000 the secondary sector (industry) experienced the greatest support from banks, following that the trend to decrease in the last ten years. Lending to the tertiary sector (services) has seen overall a slight increase in the lending level of year-on-year, but below the growth rate in lending economy in general. A strong upward trend has registered by lending to individuals, through loans granted for consumption and for housing purchase, a sign that Romanians' incomes have increased by increasing their appetite for consumption.*

Keywords: *bank credit, agriculture, industry, services*

INTRODUCTION

In the market economy, credit has a special role, being one of the main engines of the whole economic and social engagement [13].

The existence and functioning of specialized financial markets are the prerequisites for the functioning of any economies, dependent on their development level [6, 7].

A healthy economic development cannot be achieved without having an efficient system for allocating and placing capitals in the economy [1]. In the countries where financial markets are underdeveloped, characterized by inefficiency, cumbersome or high costs movement of capital, there is noticed a low productivity in economy and by default a lower standard of living of population [4, 5]. On the other hand, in the countries where financial markets have expanded and are strongly anchored in the global economic and financial system, these are able to offer a wide range of financial products and instruments so necessary to support the entrepreneurial sector [9, 10, 14].

After the Revolution of December 1989, major changes occurred in the Romanian credit system. The entire banking activity is carried out through the National Bank and banking companies are constituted as companies under Law no. 31/1990. Under the current credit system, the National Bank is the single money-issue body, which coordinates and sets the main regulations in the monetary field, the liquidity of the banking system and carries out banking intermediation operations.

In Romania, within the year 2019 there were 33 commercial banks and credit cooperative Creditcoop which, through the products and services which are provided this has the role of pumping liquidity into the economy and thus supporting the economic sectors [15].

MATERIALS AND METHODS

The aim of this work is to highlight the evolution of loans granted by credit institutions in Romania, by sectors of activity, in the last 20 years.

The materials underlying this study were articles in the field, reports and statistics of the National Bank, as well as specialized web pages.

The research methods used were fundamental (academic) research, with the aim of acquiring new knowledges and developing the subject of study, as well as applied research, oriented towards the analysis of the collected data, thus contributing to the formulation of relevant conclusions on the lending system in Romania in the last two decades.

RESEARCH RESULTS

Finding financing sources to cover working capital (working assets) and investment need has been, and it is an assiduous concern of economic actors [2, 3, 12].

One of the financing methods is represented by credit bank [8] so, in this respect, we present evolvingly, during the period 2000-2019, the volume of loans granted by credit institutions (equivalent to euro) by sectors of activity in Romania.

Table 1.

Statement of loans granted by credit institutions by sectors of activity in Romania

Specify	M.U.	2000	2002	2004	2006	2008	2010	2012	2014	2016	2018	2019	2019/ 2000
Total credits, of which for:	mil. €	4061	6570	12057	31130	57409	60163	64338	65650	71449	78130	82488	20.3
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Industry	mil. €	2183	3206	4449	7433	10299	10418	11783	12244	12154	12254	12656	5.8
	%	53.7	48.8	36.9	23.9	17.9	17.3	18.3	18.6	17.0	15.7	15.3	
Services	mil. €	1460	2445	4473	10371	17810	15596	16899	16759	17984	18802	19528	13.4
	%	36.0	37.2	37.1	33.3	31.0	25.9	26.3	25.5	25.2	24.1	23.7	
Construction	mil. €	160	262	570	1847	4268	6513	6187	5533	4737	4754	4796	29.9
	%	3.9	4.0	4.7	5.9	7.4	10.8	9.6	8.4	6.6	6.1	5.8	
Agriculture, forestry, fisheries	mil. €	164	190	298	819	1404	1757	2545	2619	2929	3361	3702	22.6
	%	4.0	2.9	2.5	2.6	2.4	2.9	3.9	4.0	4.1	4.3	4.5	
Financial intermedia- tion and insurance activities	mil. €	35	159	500	1958	2038	1654	1372	1536	1901	2545	2711	77.4
	%	0.9	2.4	4.1	6.3	3.6	2.7	2.1	2.3	2.7	3.2	3.3	
Public admi- nistration, education, health	mil. €	39	188	733	1733	2092	3029	3575	3585	3389	3694	4138	106.1
	%	1.0	2.9	6.1	5.6	3.7	5.0	5.6	5.5	4.7	4.7	5.0	
Retail	mil. €	20	120	1034	6967	19497	21196	21977	23374	28355	32720	34957	1747.8
	%	0.5	1.8	8.6	22.4	34.0	35.4	34.2	35.7	39.7	41.9	42.4	

Note: Data is converted to Euro based on the average annual exchange rate.

Source: National Bank of Romania [15]

The volume of credit in Romania increased between 2000 and 2019 by 20.3 times.

In the first years after the year 2000 the secondary sector (industry) experienced the greatest support from banks (Figure 3). Bank loans directed to this sector accounted for the largest share in the banks' portfolio. Over the last ten years, there has been noticed a continued declining trend of loans to industry in the total granted loans, from 53.7% in 2000 to 15.3% in 2019.

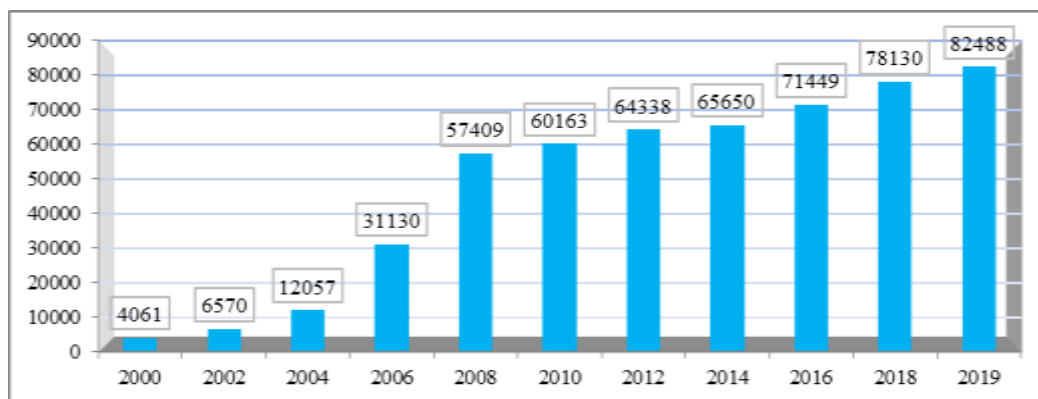


Figure 1. Evolution of total credit volume in Romania (million euros)

Source: Author's elaboration on the basics of National Bank of Romania [15]

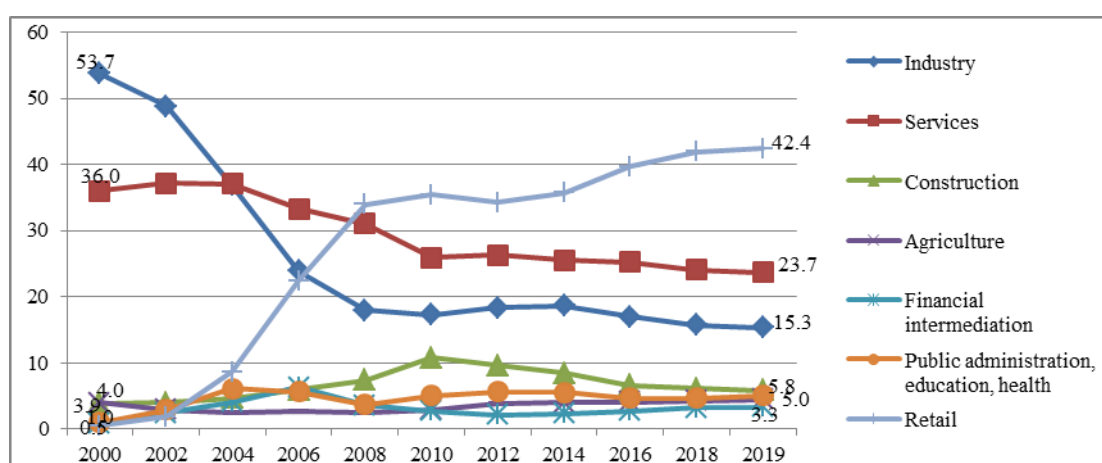


Figure 2. Evolution of loans granted by credit institutions by sectors of activity in Romania (%)

Source: Author's elaboration on the basics of National Bank of Romania [15]

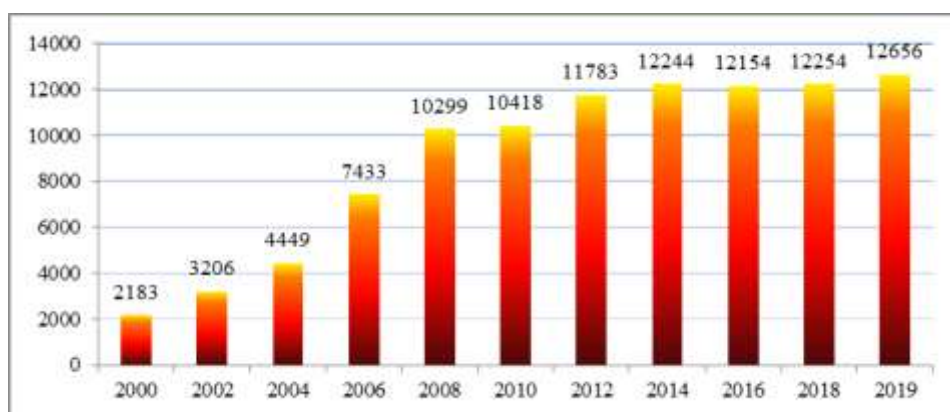


Figure 3. Evolution of the volume of bank loans granted to industry (million euros)

Source: Author's elaboration on the basics of National Bank of Romania [15]

Lending of tertiary sector (of services) (Figure 4) has experienced a credit trend characterized by a continuous decrease in lending, in relative sizes, from 36% in 2000 to 23.7% in 2019, of total loans. In absolute sizes there is shown a slight increase from one year to another, but still the growth rate of tertiary sector lending is much lower than the growth rate of total loans.

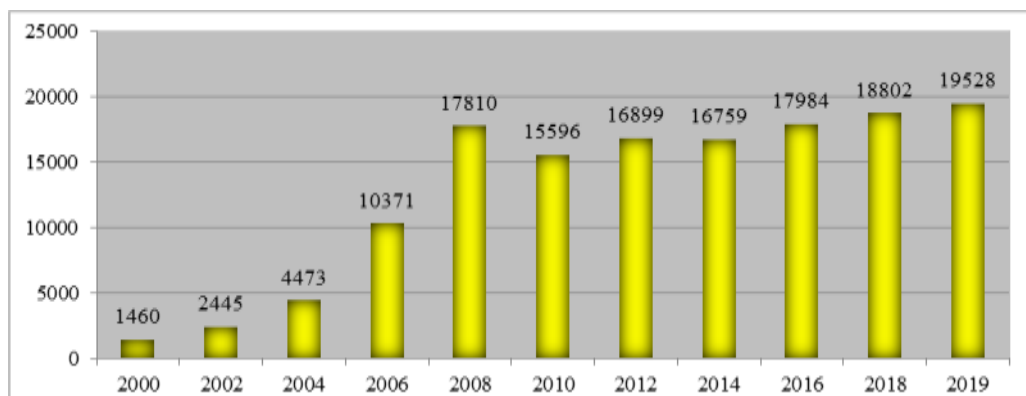


Figure 4. Lending of the tertiary sector (million euros)

Source: Author's elaboration on the basics of National Bank of Romania [15]

Loans granted to construction sector have seen a strong upward trend, from 3.9% in 2000 reaching a maximum of 10.8% in 2010. As a result of the effects of financial crisis of 2008-2010, in recent years there has been noticed a decrease in lending of this sector of activity, both in absolute sizes and as a share in total loans, a sign that the problems associated with this sector continue to affect the volume of activities (Figure 5). At the level of 2019, constructions received a loan of 5.8% of the total loans directed to the economy.

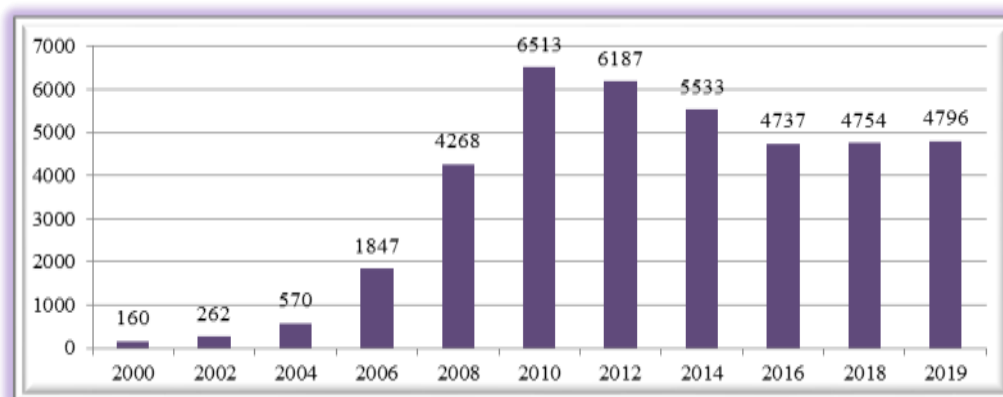


Figure 5. Evolution of the volume of bank loans granted for constructions (million euros)

Source: Author's elaboration on the basics of National Bank of Romania [15]

Bank loans granted to financing agriculture accounted in the year 2000 for a share of 4% of the total loans granted by credit institutions in Romania. Until the year 2008 the trend of relative decline continues to be maintained. With the onset of the economic and financial crisis, which has affected all sectors of economic activity, banks have rethought their credit portfolio, paying more attention to the agricultural sector, considered to be less affected by the crisis, and even the development of agriculture and infrastructure lead to the country's faster exit from the crisis [12]. This explains why after 2008 the share of loans granted to agriculture began to increase, reaching 4.5% in 2019. In addition to this is the increase in the creditworthiness of several agricultural holdings, which by applying for different European projects have managed to co-finance their share through bank loans. In absolute sizes, agricultural loan increased over the analysed range by 22.6 times, from 164 million euros in 2000 to 3,702 million euros in 2019 (Figure 6).

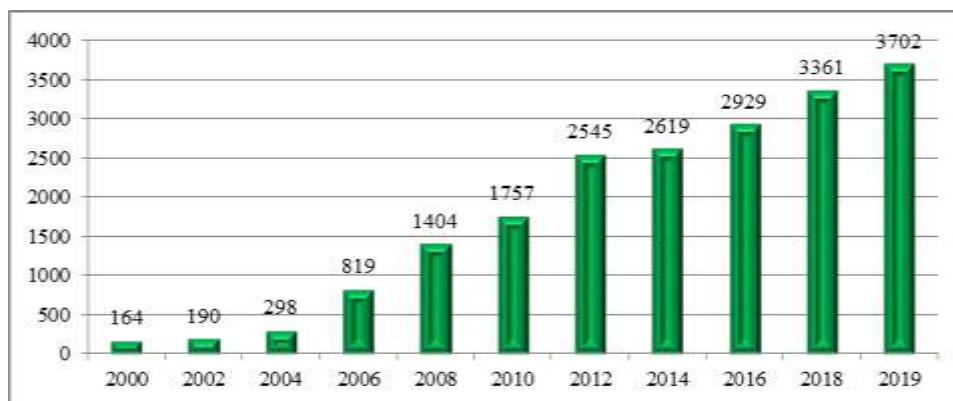


Figure 6. Evolution of the volume of bank loans granted to agriculture (million euros)

Source: Author's elaboration on the basis of National Bank of Romania [15]

A strong upward trend has seen in lending to individuals, consumer loans (personal needs loans) and housing loans, where there was registered an increase of 1,747.8 times higher in 2019 than in 2000. The increase in income, in conjunction with the increase in the consumer appetite of Romanians, has led this sector to register the highest degree of growth.

As regards the year 2020, this is subject to the crisis caused by the new coronavirus. As regards the financing offer, banks have already signalled a tightening of lending standards, the strongest for consumer loans, but also for loans to small and medium-sized enterprises, against the background of COVID-19 pandemic implications on the economy. At the same time, the demand for new loans has entered on the negative territory for the population and small and medium-sized companies, but the projections point to a much stronger adjustment in the population segment. Compared to Romania, the euro area, the tightening trend towards lending standards is lower for non-financial companies and the demand for new financing by companies is increasing due to liquidity pressures.

Loans to the private sector remained the majority (48.3% of total assets, April 2020) but with a downward trend compared to the same period of the previous year (51.7%, April 2019). This trend is about to extend in the context of the slowdown in the economic activity of many enterprises, starting in the second half of March, in an effort to limit the spread of the COVID-19 epidemic, as well as to restrict consumer demand. The relationship of banks with the public sector has remained important, reflecting the increase in the finance need of budgetary expenditures.

CONCLUSIONS

The volume of total bank loans granted by Romanian banks has increased over the last 20 years by 20.3 times, with oscillating trends from one sector of activity to another.

Loans for financing the primary sector (agriculture) increased by 22.6 times over the period 2000-2019, with a sharper increase in lending to the sector after the financial crisis of 2008-2010.

In the first years after the year 2000 the secondary sector (industry) experienced the greatest support from banks, following in the last ten years the trend to be decreasing, the industrial sector in Romania experiencing a clear decline. Lending to the tertiary sector (services) has seen in absolute terms a slight increase in the lending level of year-on-year, but below the growth rate in lending to economy in general.

A strong upward trend has registered lending to individuals, through loans granted for consumption and for housing purchase, a sign that Romanians' incomes have increased by increasing their appetite for consumption.

The year 2020 brings significant disturbances in the bank lending process, both in terms of the increase in bank prudence and in the sharp decrease in the creditworthiness of economic operators to access loans. Among the population there will dominate the spirit of saving, and less of consumption, estimating a significant decrease in lending to this sector.

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