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The Territorial Structure of Loans in Lei, by Destination, Granted to Non-Bank Clients in Romania in 2021

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A R T I C L E I N F O

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A B S T R A C T

The article considers the distribution of loans in lei in Romania by geographical areas during the period 2021, so we have made structures in territorial profile by grouping loans at county level. At the country level, the highest volume of loans is in the southern area, i.e. Muntenia, where it is normal that Bucharest county has the highest share in this region. At the level of geographical area, we observe that Brasov County dominates in the centre in terms of the volume of loans granted, in the North-West area Cluj County stands out with a share of 48.8% of the total of that area, Timis county is the county with the highest volume of loans granted in the Western area of Romania, also in the South-West Dolj county has a significant share even if it is half the value of the loans granted compared to Timis county. In the South-East area, the highest volume in that period was in Constanta County, which recorded 3 times the value of loans compared to Galati County. And finally in the Eastern area is Iasi County with a value of about 8,300 lei of loans granted in lei.

1. Introduction

With this case study we want to highlight that for some regions in Romania a higher volume of credits is needed due to the fact that these regions are either highly developed or developing. Therefore, in developed counties such as Cluj, Iasi and Bucharest there is a higher demand for loans from the population, this demand being almost double the demand from non-financial companies, while in developing counties such as Valcea, Satu Mare, Mures and Harghita the demand for loans is approximately equal between the population and non-financial companies.

At the same time, the volume of outstanding loans in lei of the total current loans was analyzed, from which we observed that the counties of Botosani and Caras-Severin are at the top of the ranking with a rather high share of outstanding loans.

Next, we have made a structure of the loans according to their destination to the 3 branches: households, non-financial companies or other institutional sectors. In addition to the previous structure, we have also made a distribution according to the purpose of these loans, a distribution that takes into account 3 sections, namely: housing loans, consumer loans and loans used for other purposes.

The work also includes an example of a method of restructuring a loan, which I believe can temporarily stabilise the volume of outstanding loans.

1 The structure of loans in lei

In the following we will present the structure of credits in lei in the main geographical areas of Romania, namely: central area, North-West, West, South-West (Oltenia), South (Muntenia), South-East and North-East.

Figure 1.1 shows Romania's counties, which are coloured according to the amount of loans granted in lei in 2021, so red are the counties with the most loans granted and dark green are the counties with the lowest amount of loans in Romania.

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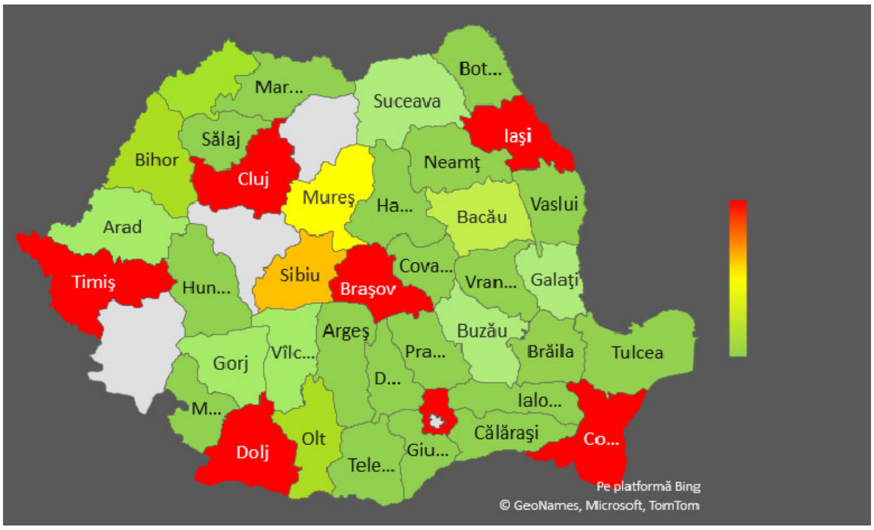


Figure 1.1 Structure of loans in lei granted in Romania in 2021

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022

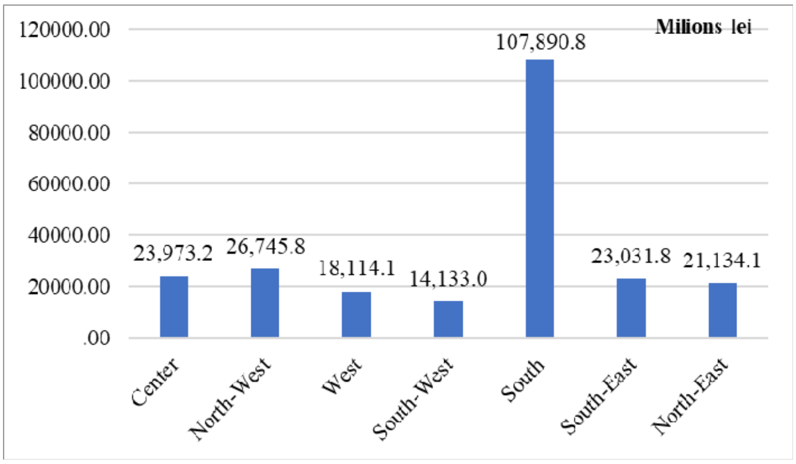


Chart 1.1 Value level of loans in Romania by geographical area in 2021

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022

Chart 1.1 shows the volume of loans by geographical area of Romania in 2021, therefore we observe that the South (Muntenia) has the highest demand for loans, representing about 45.9% of total loans granted in Romania, the lowest level of loans granted was recorded in the South-West (Oltenia) with a share of about 6% of total loans.

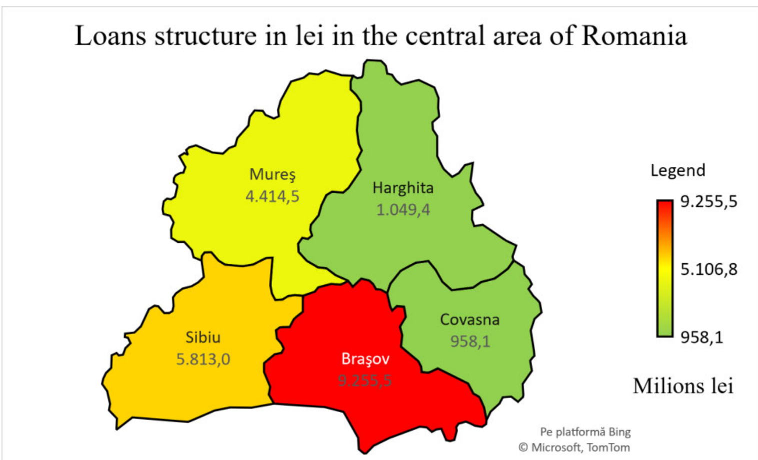


Figure 1.2 Loans structure in lei in the central area of Romania

Source Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022

Analysing figure 1.2 we conclude that Brasov County recorded a very high lending volume reaching approximately 9,255.5 million lei, compared to the other counties in the central area, especially compared to Covasna County which recorded a level of lending 966% lower representing only 4% of the lending volume in the central area of Romania.

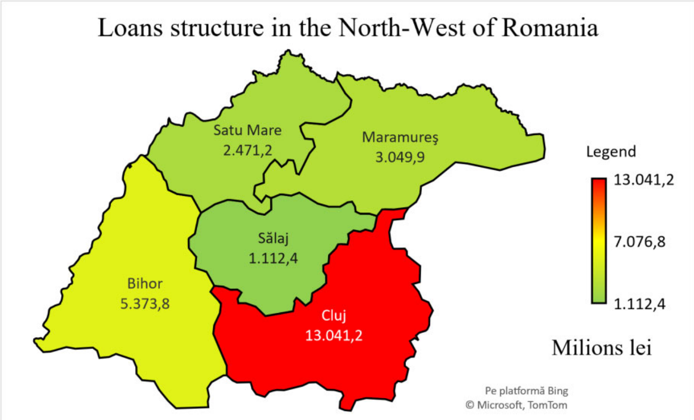


Figure 1.3 Loans structure in the North-West of Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022.

In the North-West area of Romania, we noticed according to figure 1.3 that the largest share is held by Cluj County which represents about half of the total of this area, also the smallest volume was recorded in Sălaj county due to the fact that this county is small in size, population and is poorly developed in terms of infrastructure and financial.

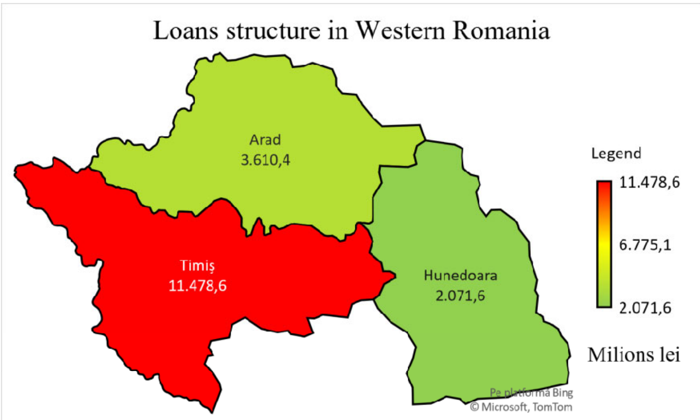


Figure 1.4 Loans structure in Western Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022.

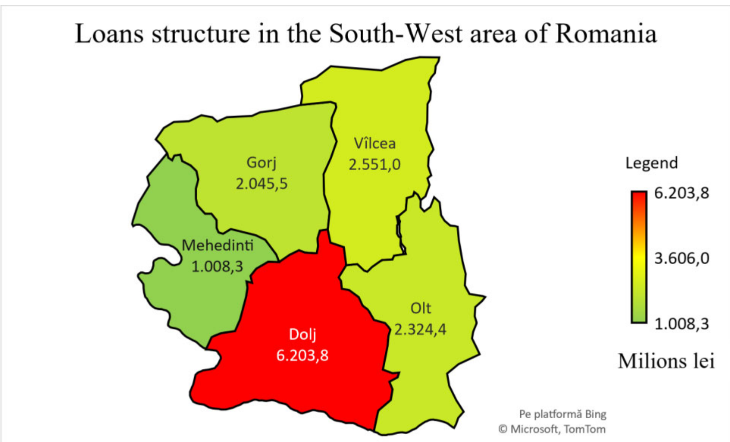


Figure 1.5. Loans structure in the South-West area of Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022.

Moving on to the western part of Romania, we can see in Figure 1.4 that Timis County recorded a high level of loans granted, therefore, referring to Figure 1.5, we conclude that Timis County recorded a level relatively close to that of Cluj County.

In Figure 1.5 we can observe that in the South-West of Romania, Dolj county stands out, holding the majority share of about 43.9% of this area, Mehedinți county ranking at only 7.1% of the share of loans in South-West areas with a value of 1,008.3 million lei.

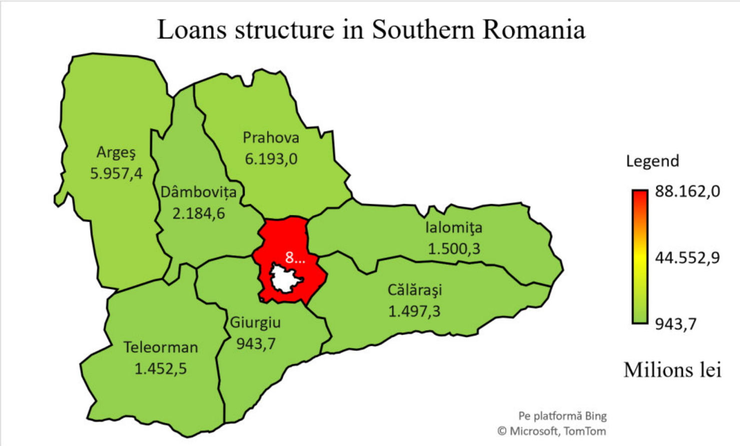


Figure 1.6. Loans structure in Southern Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022.

From Figure 1.6 we conclude that Bucharest County including Ilfov dominates, with a credit value of about 88,162.0 million lei out of the total of 107,890.8 million lei of the Southern area.

Table 1.1. Shares of counties of the total Southern area of Romania

County	Loans in lei	Proportion of total area (%)
Argeș	5.957,3	5,5
București (including Ilfov)	88.162,0	81,7
Călărași	1.497,3	1,4
Dâmbovița	2.184,6	2,0
Giurgiu	943,7	0,9
Ialomița	1.500,3	1,4
Prahova	6.193,0	5,7
Teleorman	1.452,5	1,3
Southern Area total	107.890,8	100

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 26.05.2022.

Table 1.1 shows the volume of loans in the Southern zone, the total of this zone and also the percentage of each county of the total loans granted in this zone.

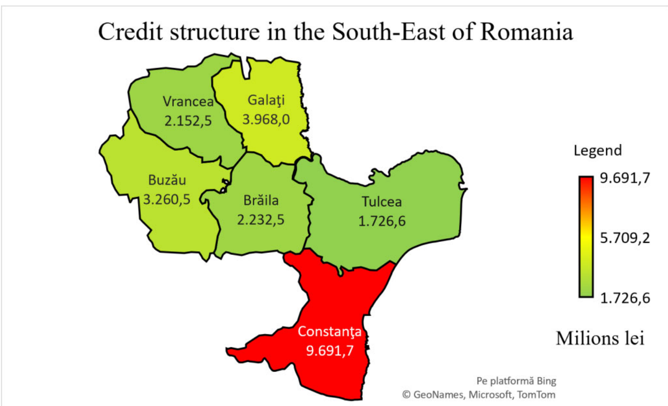


Figure 1.7 Credit structure in the South-East of Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 27.05.2022.

In the South-Eastern part of Romania, according to Figure 5.1.7, lending plays a very important role, especially in Constanta County, where more than 9,500 million lei in loans were granted in 2021.

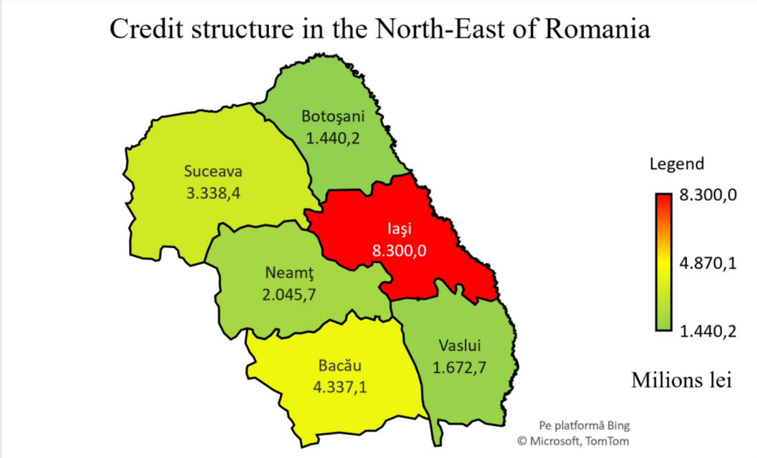


Figure 1.8 Credit structure in the North-East of Romania

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 27.05.2022.

According to graph 1.8 we observe in Iasi County a very high level of credit unlike the neighbours of this county, therefore we can consider Iasi County as the county in the North-East area that recorded the highest level of financing needs through loans in lei.

I conclude this sub-chapter by focusing on the counties that recorded a quite high share of outstanding loans in 2021, therefore in Table 5.1.2 the counties that recorded a strictly higher share than 2% of total loans granted in lei have been selected.

Table 1.2. Share of outstanding loans in 2021

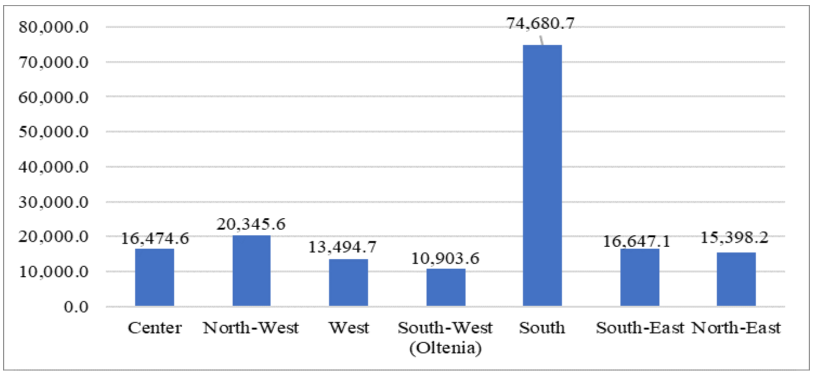
County	Share of total loans granted (%) in 2021	County	Share in total loans granted
Argeş	2,1	Caraş-Severin	2,5
Dâmboviţa	2,1	Giurgiu	2,5
Prahova	2,1	Bistriţa-Năsăud	2,6
Hunedoara	2,2	Vâlcea	2,6
Satu-Mare	2,3	Ialomiţa	2,7
Arad	2,5		

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 27.05.2022.

From Table 1.2 we can deduce that the amount of outstanding loans in the selected counties represented 2.1% in Argeş, Prahova, Dâmboviţa and a maximum of 2.7% in Ialomiţa of the total loans granted by banks.

Therefore, if we refer to the data from March 2019, i.e. graph 5.1.2, due to the COVID-19 pandemic, we will not observe great changes in the volume of loans granted, as it is slightly lower than in December 2021, thus we deduce that in the post-pandemic period both the population and economic agents needed a surplus of credit financing.

Chart 1.2 Structure of loans in lei in 2019



Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=31173&directLink=1, accessed on 27.05.2022.

Beyond the relatively similar volume of 2021, analyzing the volume of outstanding loans for the period March 2019 we observe quite large changes, the share of these loans reaching up to 9.23% according to Table 1.3 of the total amount of loans in lei in Botosani County compared to 2021 where the highest share was 2.7% in Ialomita County.

In Table 1.3, the counties with a share of loans outstanding of more than 4% of total loans granted in lei in March 2019 were selected.

Table 1.3 Share of outstanding loans in 2019

County	Share of total loans granted (%) in March 2019	County	Share in total loans granted
Prahova	4,16	Mehedinți	5,48
Vaslui	4,41	Caraș-Severin	6,22
Sibiu	4,47	Botoșani	9,23
Vâlcea	4,48		

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=31173&directLink=1, accessed on 27.05.2022.

Percentages higher than 4% are due to certain financial problems of non-financial companies or of the population, therefore some banks such as BCR adopt a policy offering support solutions to prevent or pre-empt these difficulties.

According to BCR publishing's, in case of medical or family problems (divorce, death, etc.), loss of job, over indebtedness, individuals can apply for a credit restructuring either by applying a lower monthly instalment for 2 years, or by extending the credit period (but at the end of this period the customer must not be older than 70 years), a grace period, or a credit conversion. All the above restructuring modalities are based on documentation and on the fulfilment of several conditions mentioned in BCR publications.

Therefore, we have made Table 1.4 showing a method of restructuring a loan by lowering the interest rate and switching after the first 5 years from a fixed to a variable interest rate.

Table 1.4 Method of restructuring a loan

Example of a loan restructuring		
	Initial situation	**Situation after restructuring**
Up-to-date credit	**26.420 EUR**	**27.000 EUR**
Restances:	**580 EUR**	**0 EUR**
Total amount:	27.000 EUR	27.000 EUR
Market value of the real estate provided as collateral:	20.000 EUR	20.000 EUR
Current interest rate:	**6,5% / an**	**5.95% / year (fixed for the first 5 years, then equal to the variable EURIBOR 6M+4%).**
Remaining credit period:	180 luni	
Rată lunară:	230 EUR	

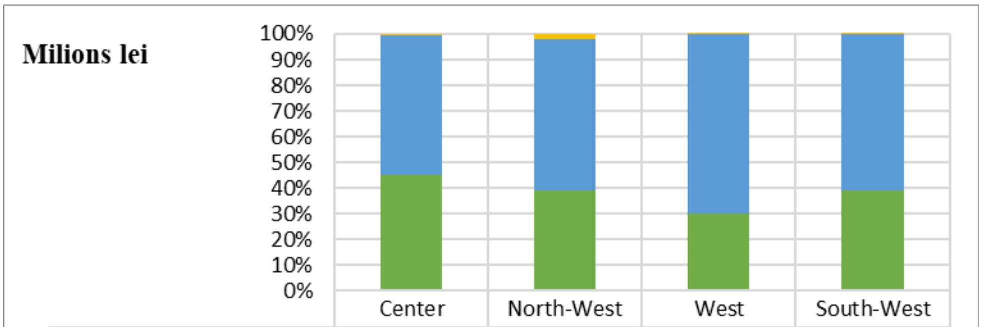
Source: Made by the author from: https://www.bcr.ro/ro/persoane-fizice/credite/informatii-restructurare, accessed on 28.05.2022.

From Table 1.4. we note that after restructuring, the outstanding loans have been written off as current loans, thus the total amount remains the same in both cases, the market value of the real estate subject to the guarantee remains the same at EUR 20,000, the major differences being in the interest rates. Thus, the interest rate is changed from a fixed rate of 6.5%/year to 5.95%/year for 5 years and then to a variable interest rate and the variable EURIBOR 6M+4% will be applied.) Basically following this restructuring, the client will benefit from a credit without arrears so he will not be penalized, and he will also benefit from a fixed interest rate lower than the initial one, so for 5 years he will be supported so he will not be suffocated by a higher interest rate.

2. Structure of loans in lei by destination in 2021

This structure involves the distribution of loans into the three main branches, namely loans to non-financial corporations, loans to households and loans to other institutional sectors.

The following graph shows the credit structure in Romania by geographical area in 2021.

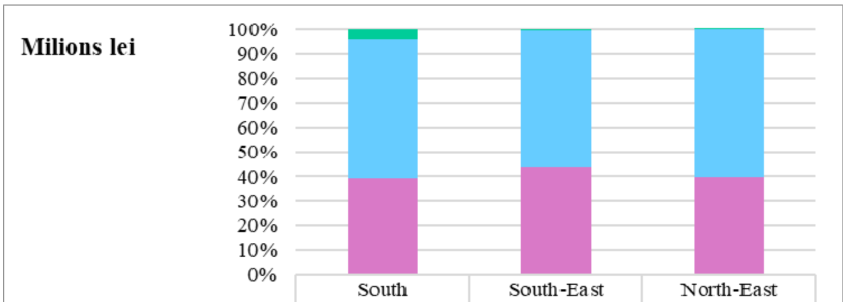


	Center	North-West	West	South-West
other institutional sectors	87.1	556.5	13.1	3.3
households	13,012.9	15,757.3	12,632.6	8,568.3
non-financial corporation	10,873.2	10,432.0	5,468.5	5,561.4

Graph 2.1. Structure of loans in lei by destination in Central and Western Europe

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 28.05.2022.

Analysing graph 2.1, we observe that of the four areas of Romania, the north-west area recorded approximately double the volume of loans granted to non-financial corporations and households compared to the south-west area, while the north-west area had the highest volume of loans granted.



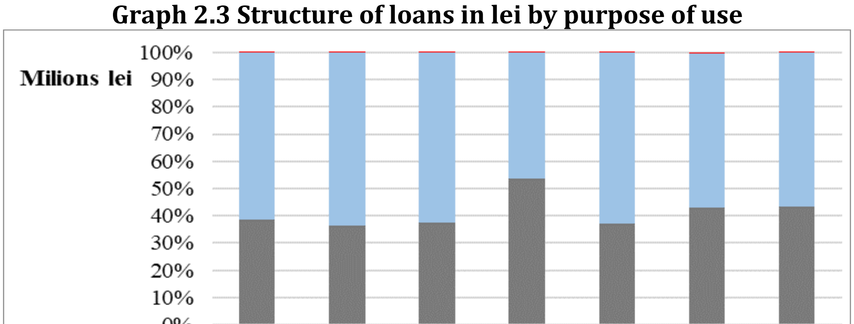
	South	South-East	North-East
other institutional sectors	4,151.1	89.0	27.5
households	61,297.1	12,836.2	12,751.2
non-financial corporation	42,442.6	10,106.6	8,355.5

Graph 2.2. Structure of loans in lei by destinations from the South and East

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 28.05.2022.

Graph 2.2 shows the structure of loans in the southern, south-eastern and north-eastern areas of Romania, thus we can see that the southern area recorded the highest volume of loans granted in 2021, while the other two areas had relatively similar values. Looking in more detail at the structure of loans in lei, we can see from Graph 2.3 that the branch of loans granted to households was structured into three sub-branches according to their purpose.

Graph 2.3 Structure of loans in lei by purpose of use



	Center	North-West	West	South-West	South	South-East	North-East
other purposes	12.9	14.6	13.4	8.7	58.4	35.7	10.2
housing	7,895.1	9,882.5	7,797.2	3,919.2	38,112.	7,069.1	7,082.9
consumtion	5,004.6	5,701.2	4,702.8	4,519.8	22,590.	5,390.7	5,447.9

Source: Made by the author from: https://www.bnr.ro/DocumentInformation.aspx?idDocument=39273&directLink=1, accessed on 28.05.2022.

From Graph 2.3 we conclude that in all areas of Romania the largest share was represented by housing loans, with only one exception in the South-West where more loans were granted for consumption than for housing, representing approximately 52.74% of total loans granted to households.

3. Conclusions

The conclusion of this case study is that in all regions of Romania there are more representative and more developed counties that have exceeded the amount of 7,000 million lei in terms of loans granted in lei, an exception being in the South-West area where the representative county of Dolj recorded the highest level of only 6,203.8 million lei.

Of particular importance in the analysis of the volume of loans granted in Romania are the indicators of economic development of each county, demographic information such as the number of population in each county, as well as the number of non-financial companies in each geographical region, therefore the higher the number of non-financial companies or the number of population, the higher the volume of loans is natural, however there are exceptions, according to the National Institute of Statistics, Prahova county had a population of 795 at the last census in July 2018. 931 inhabitants being ranked 3rd in terms of population in Romania. However, in terms of loans volume, Prahova County ranked 8th out of 41 counties in July 2018, with a value of loans granted of 4,366.9 million lei, therefore I can conclude that a larger population may lead to a higher demand for loans, but I do not believe that the number of populations is always the determining factor of the higher or lower volume of loans granted, as there are many factors that influence these values.

As for the amount of outstanding loans, I believe that the policy applied regarding the granting of loans and the acceptance of guarantees has considerably reduced the increase in this amount, even though a higher volume of outstanding loans was recorded in March 2019. At the same time, without the possibility of restructuring loans, or without moratoriums, the number of defaulters would have been much higher and therefore the volume of outstanding loans would have easily exceeded the threshold of 15% of the total volume of loans in certain counties.

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