



Does a sound financial sector deliver sound economic growth?

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BANCA NAȚIONALĂ ROMÂNIEI

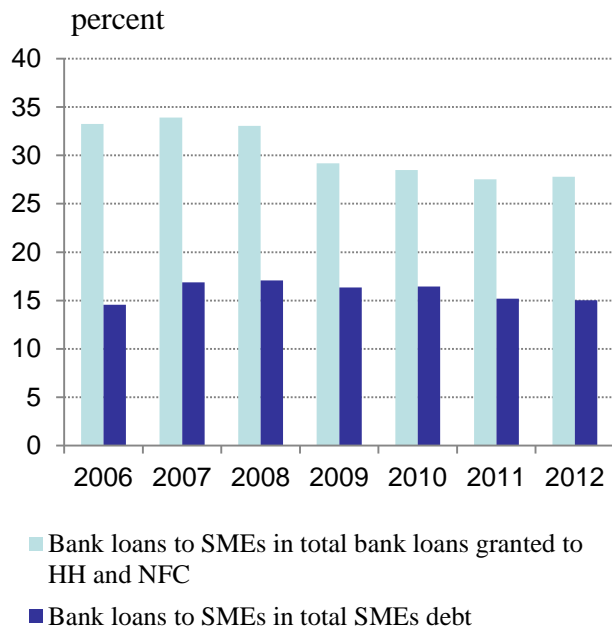


Outline

- ❖ The role of SMEs in the domestic banking sector and in the economy
- ❖ Banking sector: developments, demand and supply of loans
- ❖ Were banks able to finance performing companies?

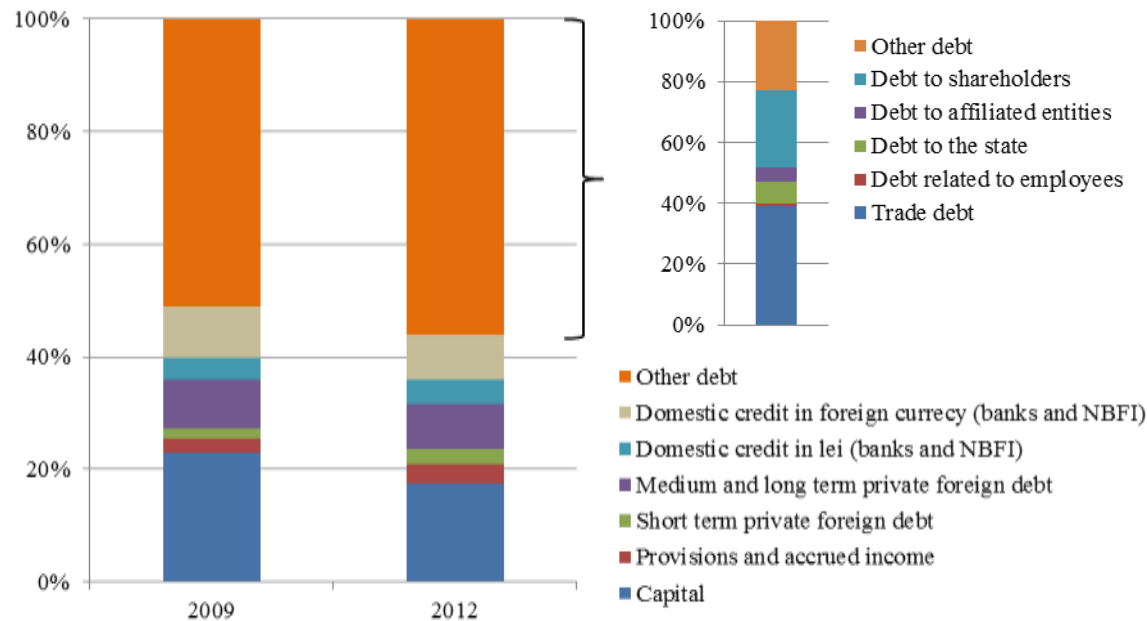
Role of SMEs for the financial sector and for the economy is important...

Bank loans granted to SMEs



Source: CCR, MPF, NBR, own calculations

The structure of SMEs' liabilities



Source: MPF, NBR, own calculations

...and SMEs with domestic bank loans have a better overall situation...

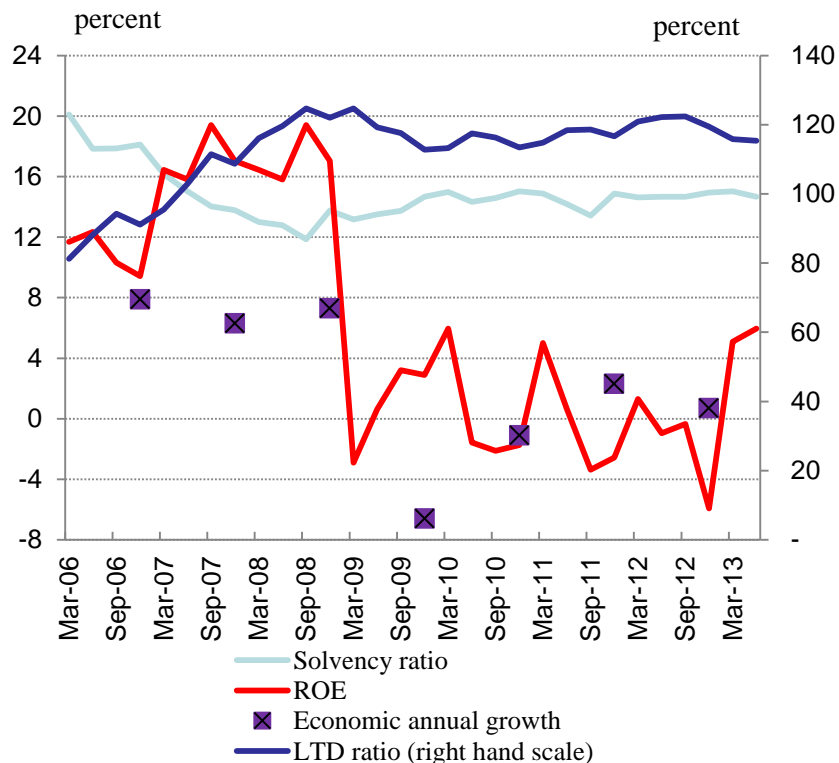
SMEs with bank loans/SMEs without bank loan

	2006		2007		2008		2009		2010		2011		2012	
Number (%)	11.3	88.7	13.2	86.8	13.5	86.5	12.5	87.5	11.4	88.6	11.1	88.9	11.0	89.0
GVA (%)	45.2	54.8	46.8	53.2	46.5	53.5	43.0	57.0	40.9	59.1	41.2	58.8	40.5	59.5
Employees (%)	40.8	59.2	43.6	56.4	44.0	56.0	41.0	59.0	38.7	61.3	38.1	61.9	38.2	61.8
ROE (%)	31.4	38.5	24.5	21.1	17.4	9.2	9.9	(0.7)	10.2	3.6	8.5	6.4	10.1	5.7
Productivity per employee (lei mil)	3.1	0.3	3.2	0.3	3.6	0.4	3.5	0.4	3.8	0.4	4.3	0.4	4.5	0.5
Turnover growth (%)	29.1	28.1	27.0	31.6	25.4	32.2	(12.8)	(1.4)	1.5	12.2	11.6	20.7	4.1	14.7
Insolvency rate (%)	NA	NA	0.3	0.2	0.4	0.2	1.0	0.2	2.1	0.3	2.4	0.6	2.4	0.6
Overdue payment ratio (%)	9.2	21.3	7.6	14.9	7.3	12.8	10.1	13.0	10.4	12.8	12.1	14.6	12.6	13.5
Total debt (lei bil)	108.1	111.1	166.3	150.7	218.7	198.3	215.5	225.0	221.0	247.7	245.7	287.3	256.2	307.9

Source: MPF, NBR, own calculations

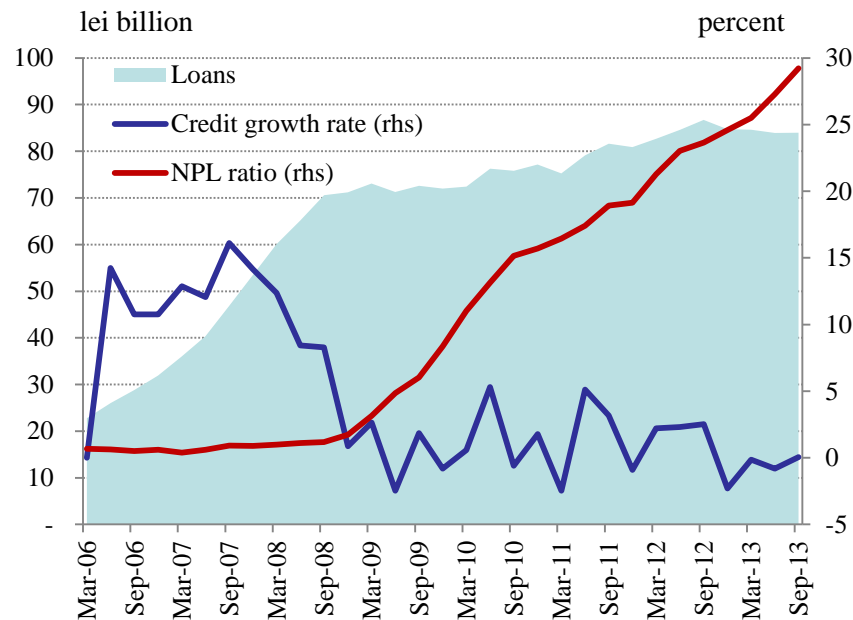
Banking sector was protected against unfavorable developments

Financial soundness indicators of the banking sector



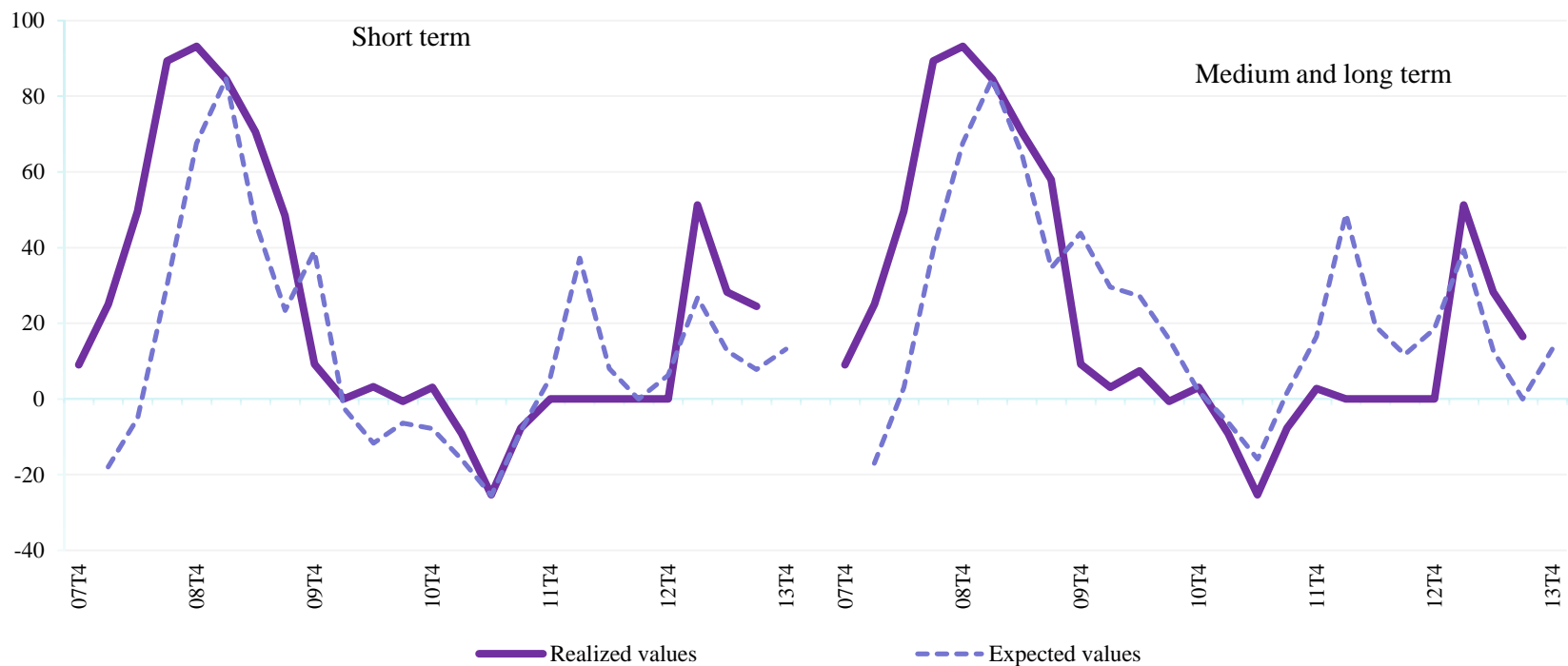
Source: NIS, NBR, own calculations

Developments in bank loans granted to SMEs



Source: MPF, CCR, own calculations

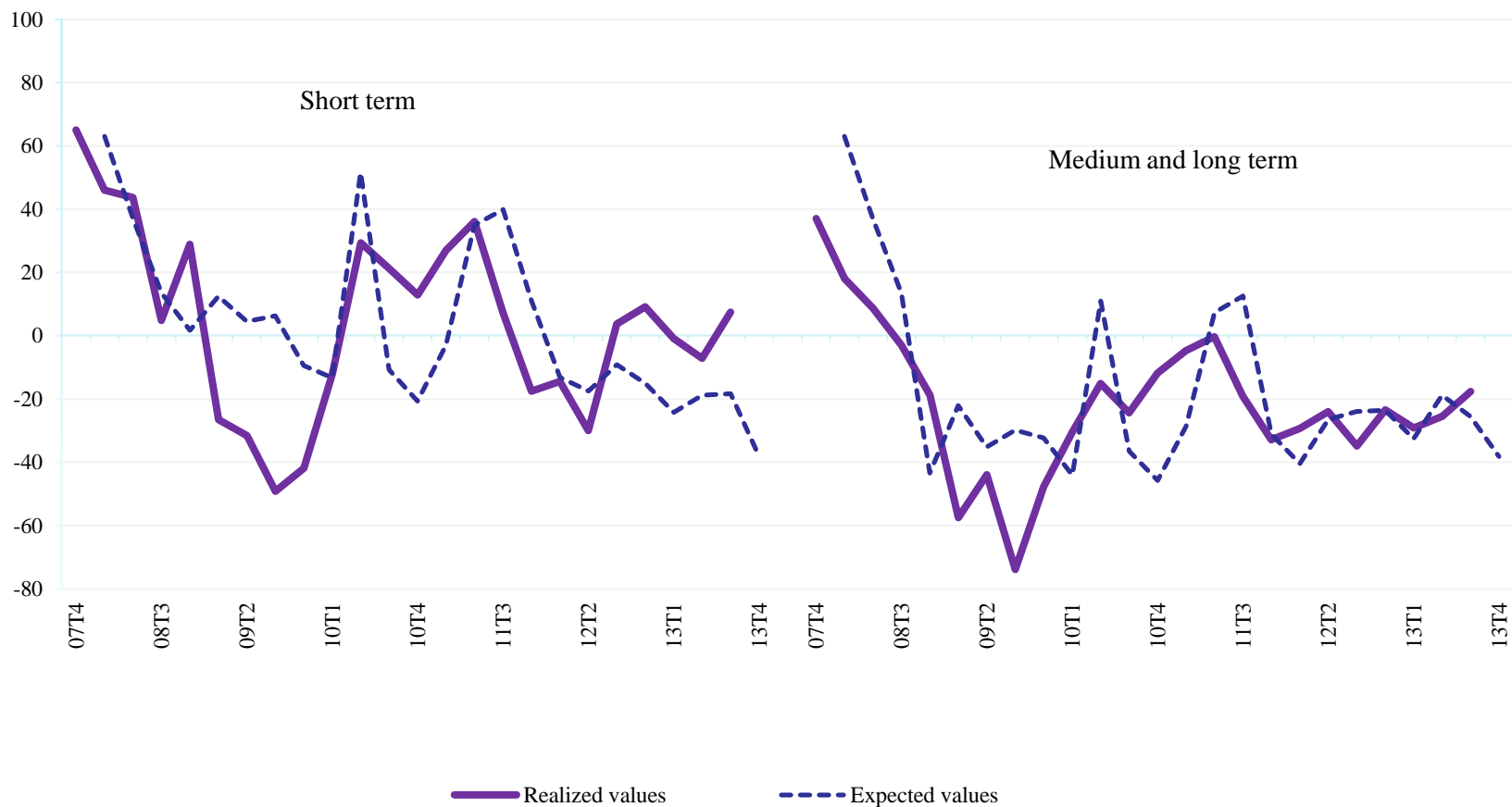
Developments in credit standards ...



Note: positive value means a tightening of credit standards

Source: Bank lending survey, November 2013

...and loan demand

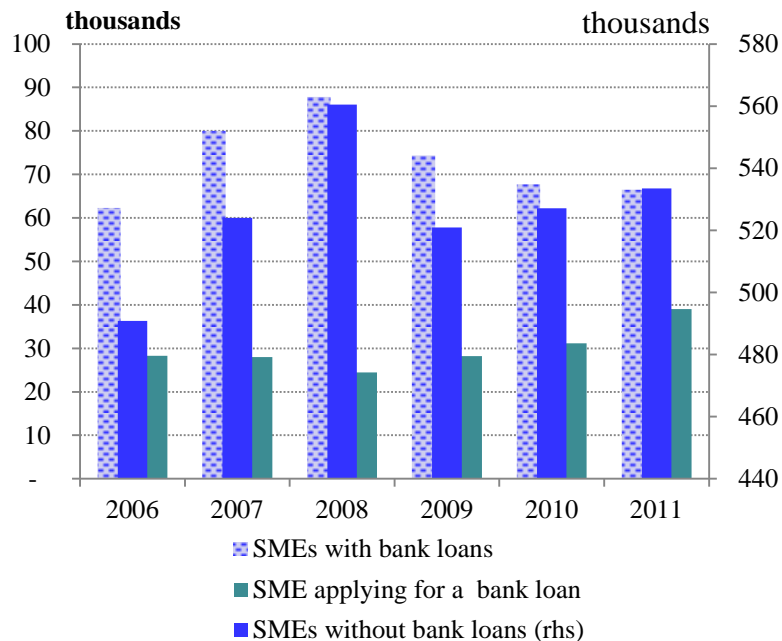


Note: positive value means an increasing in demand

Source: Bank lending survey, November 2013

The demand for loans is following an upward trend...

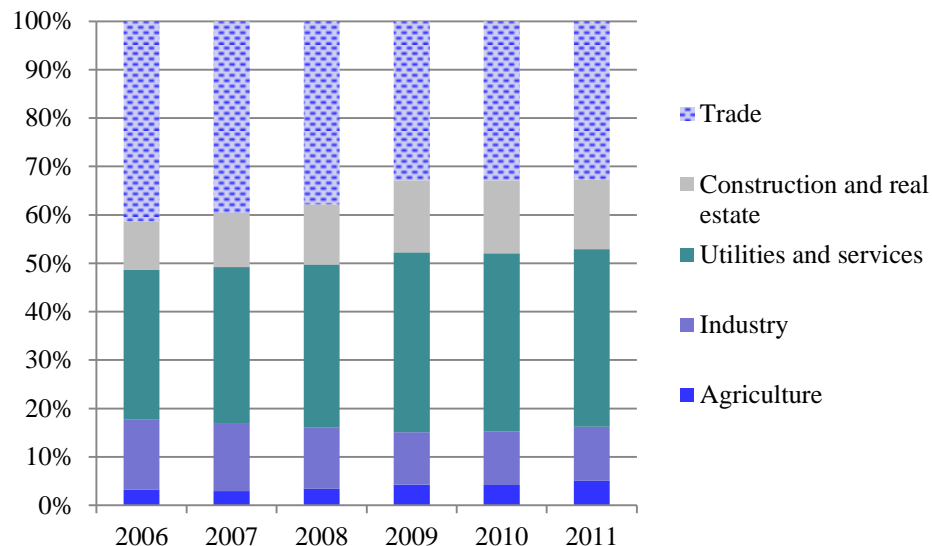
Number of SMEs applying for a bank loan



Note: only SMEs without bank loans in the two years preceding the application are considered

Source: CCR, NBR, own calculations

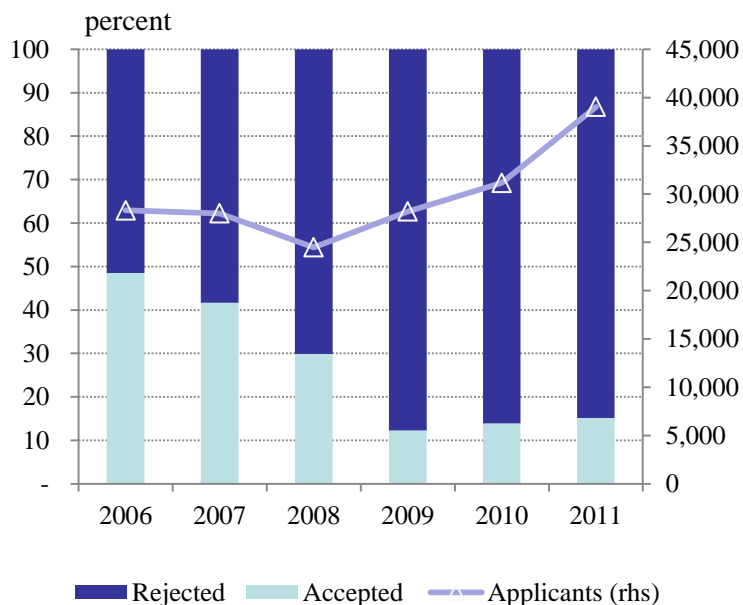
Sectoral demand for bank loans



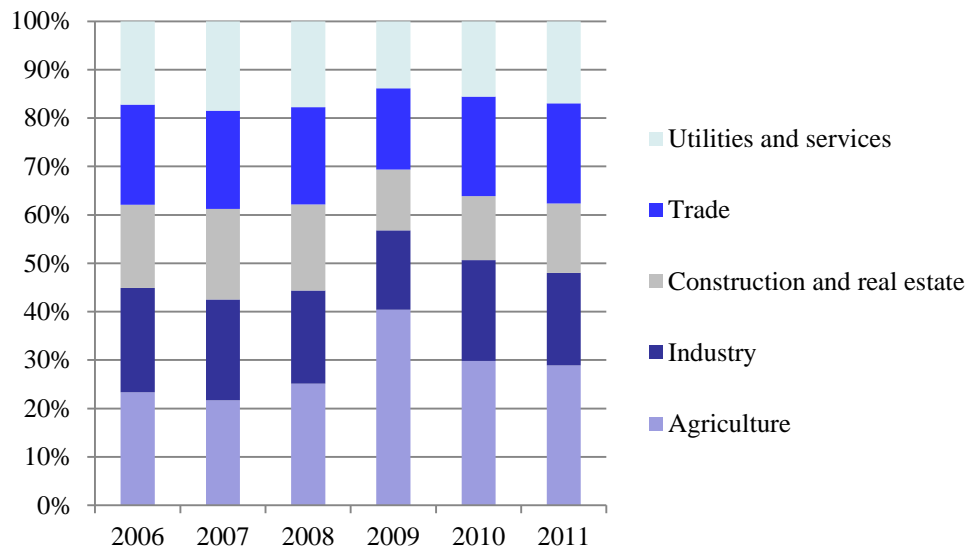
Source: MPF, NBR, own calculations

...but the number of accepted applicants is decreasing

Accepted and rejected SMEs for a bank loan



Accepted SMEs as percentage from all SMEs applicants for a bank loan, by main sectors



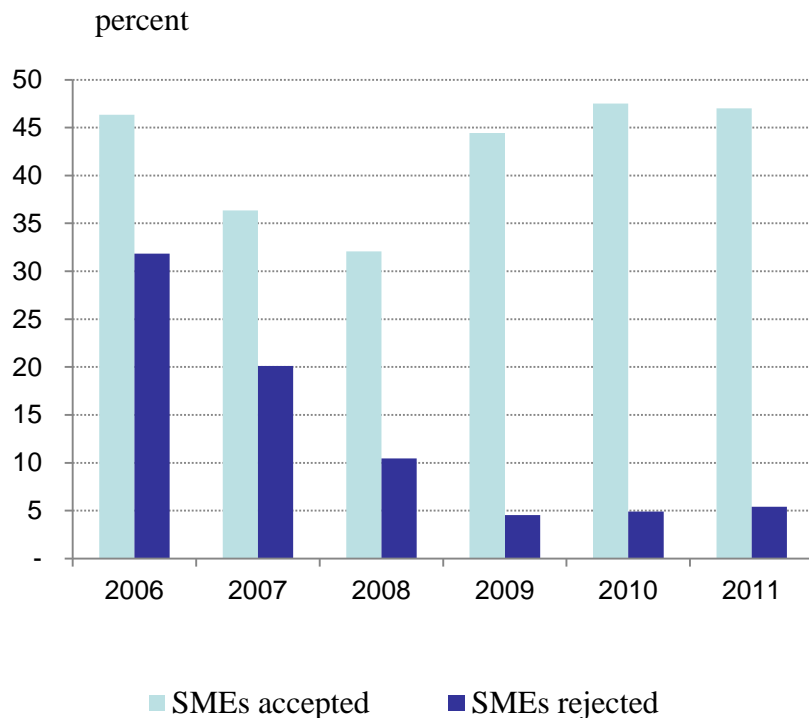
Note: only SMEs without bank loans in the two years preceding the application are considered

Source: NBR, own calculations

Source: MPF, NBR, own calculations

Did banks select performing companies to grant financing to?

Performing SMEs



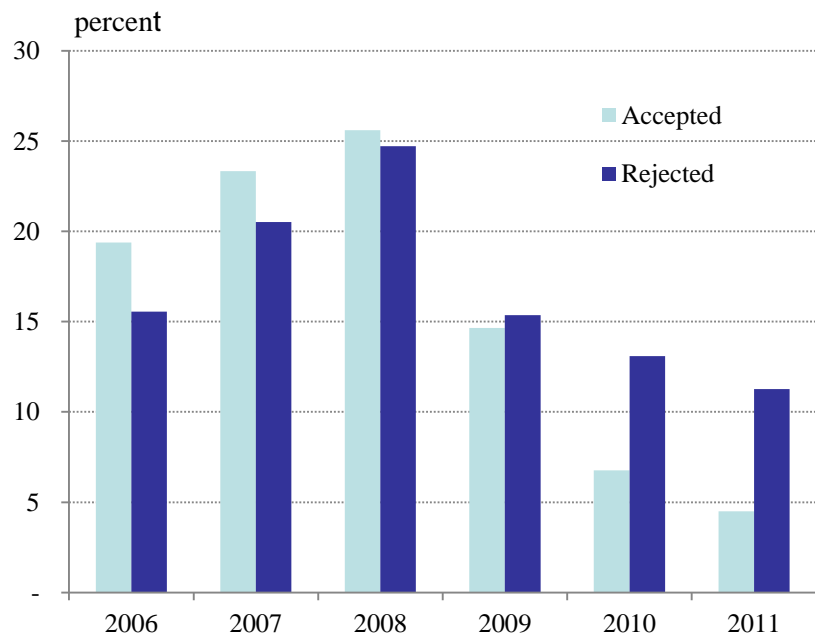
Performing SMEs: two of the following three criteria:

- **Return on equity (ROE)** greater than the average ROE of the SMEs from the same sector and with the same size
- **Productivity per employee** greater than the average productivity per employee of the SMEs from the same sector and with the same size
- **Turnover growth rate** greater than the average turnover growth rate of the SMEs from the same sector and with the same size

Source: MPF, NBR, own calculations

Economic and financial risk of the SMEs

Nonperforming SMEs



Nonperforming SMEs:

- **Insolvency/bankruptcy**

or

- **Overdue payment ratio** greater than the average overdue payments ratio of the SMEs from the same sector and with the same size
- **Score** less than the average score of the SMEs from the same sector and with the same size

Source: MPF, NBR, own calculations

Thank you!