

THE OPPORTUNITIES OF CREDITING IN BANKING SYSTEM IN REPUBLIC OF MOLDOVA

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Abstract

The development of national economy of Republic of Moldova needs one stabile credit system, that mostly is presented by financial – banking sector. The evolution banking system is examined in this article. On the base of banking statistics the following aspects are analyzed: the structure of loan book – by the types of value, by the individual and legal bodies. The situation of un – favorable credits is also reflected. The dynamic of rate interest is also showed, being of the great importance for potential economic agents that plan their affairs but don't have enough financial resources. There are some concrete facts about banks, that in present form national financial – crediting system. The information, presented in article may be useful for potential clients both Moldovan and foreign, and also for the specialists and researches in financial field.

Key words: banking system, crediting, rate of interest

INTRODUCTION

Lending represents an important function of the banking system contributing to ensuring the conditions for the development of economic entities and other participants with a direct and indirect role in the contemporary economy. Lending is extremely important for developing countries, such as the Republic of Moldova.

Nowadays, bank lending is carried out by 11 commercial banks operating under specific conditions after the known events from 2014.

MATERIALS AND METHODS

To analyze the crediting in national banking systemy, data on the evolution of portofoglio credit have been collected from the Statistics National Bank of Moldova. These data were examined over a period of years from 2014 to 2016. The following methods have been applied in this study: monographic, trends analysis, applying of average values, analysis and synthesis.

RESULTS AND DISCUSSIONS

Economic entities in their activity often face a temporary insufficiency of their own funding

resources. This fact, in the opinion of several economists, leads to decision-making to attract loans either in the form of bank loans or in the form of loans from other individuals or from other companies. This idea is promoted by the Romanian economists Toma M. and Alexandru Felicia [6]. Banking lending, according to the appreciation of the well-known economist in the field of financial management Kovaliov V., is one of the most widespread forms of credit relations, when a financial organization operating under the license issued by the Central Bank is presented as a creditor [3]. Based on this license, the financial institutions that primarily are made of commercial banks, provide bank loans to beneficiaries.

The bank loan is the capital loan granted to different applicants – economic agents, physical persons, by specialized financial institutions (more often called banking institutions) in a monetary form for a certain period, which will be repaid in the future at a certain date with interest [2].

According to data from the National Bank of Moldova, the lending portfolio in the commercial banks' system reached its maximum value in 2013 and amounted to 42 170 mil. MDL. The data presented in Table 1

shows that during the researched period, the value of the credit portfolio as a whole in the banking sector in the country decreased by about 15%.

Table 1. Value of the loan portfolio in the banking sector of the Republic of Moldova, mil. MDL

Commercial bank	2014	2015	2016	Absolute deviation in 2016 compared to 2014	Year 2016 in % compared to 2014
Total on the banking sector, including:	40,842.0	38,187.6	34,761.3	(6,080.7)	85.1
Moldova-Agroindbank	10,826.0	11,225.7	10,774.7	(51.3)	99.5
Banca de Economii	1,338.1	-	-	-	-
Banca Socială	1,960.2	-	-	-	-
ComertBank	395.8	435.7	456.6	60.8	115.4
EuroCredit Bank	174.8	191.3	230.4	55.6	131.8
Energbank	1,053.2	866.4	875.8	(177.4)	83.2
FinComBank	1,079.1	1,019.5	1,095.7	16.6	101.5
UniBank	924.2	-	-	-	-
Mobiasbank	3,429.9	3,884.2	4,059.2	629.3	118.3
Moldindcon bank	8,889.4	9,517.0	7,827.7	(1,061.7)	88.1
ProCredit Bank	2,267.5	2,470.8	2,073.8	(193.7)	91.5
BCR Chişinău	447.8	409.7	439.9	(7.9)	98.2
Victoriabank	5,755.9	5,884.3	4,974.3	(781.6)	86.4

Source: Developed by author based on NBM statistical data [4].

To a large extent, it is caused by the liquidation of the three commercial banks - Banca de Economii, Banca Sociala and Unibank, whom belonged 4,222.5 mil. MDL in 2014. At the same time, credit portfolios of the following banks have decreased significantly: Energbank by 16.8%, Victoriabank by 13.6% and Moldindconbank by 11.9%. moreover, three other banks increased the lending portfolio significantly: EuroCreditBank by 31.8%, Mobiasbank by 18.3% and ComertBank by 15.4%.

The remaining commercial banks did not show any major changes in the value of the lending portfolio. One of the best known managers in the domestic banking sector, Dorin N., finding the decrease in the value of the loan portfolio in 2016, mentions that the causes of this phenomenon are the following: on the one hand, the lack of credit demand due to the negative expectations of the economic agents; and on the other hand a more cautious approach of commercial banks towards potential borrowers. Banks are ready to lend credit to the national economy, but it feels a lack of successful projects that deserve to be credited [1]. The share of commercial

banks' participation in the structure of the lending portfolio are of interest.

It is noted that the largest shares in the portfolio structure belong to the three banks: Moldova Agroindbank, Moldindconbank and Victoriabank.

Table 2. Ranking of commercial banks in the structure of the credit portfolio of the Republic of Moldova,%

Commercial banks	31.12.2014		31.12.2015		31.12.2016		Absolute deviation in 2016 compared to 2015, p.p.
	position	%	position	%	position	%	
Moldova Agroindbank	I	26.5	I	29.4	I	31.0	+4.5
Moldindcon bank	II	21.8	II	24.9	II	22.5	+0.7
Victoriabank	III	14.1	III	15.4	III	14.3	+0.2
Mobiasbank	IV	8.4	IV	10.2	IV	11.7	+3.3
ProCredit Bank	V	5.6	V	6.5	V	6.0	+0.4
Banca Socială	VI	4.8	-	-	-	-	x
Banca de Economii	VII	3.3	-	-	-	-	x
FinComBank	VIII	2.6	VI	2.7	VI	3.2	+0.6
Energbank	IX	2.6	VII	2.3	VII	2.5	-0.1
UniBank	X	2.3	-	-	-	-	x
BCR Chişinău	XI	1.1	IX	1.1	IX	1.3	+0.2
ComertBank	XII	1.0	VIII	1.1	VIII	1.3	+0.3
EuroCredit Bank	XIII	0.4	X	0.5	X	0.7	+0.3

Source: Developed by author based on NBM statistical data [4].

They own from 62.4% in 2014 to 67.8% in 2016. All banks, except Energbank, have increased their weight in the examined structure.

There is important information about the branches of the national economy, for whose development, credits from the banking sector have been accessed.

Analyzing the data presented in Table 3, we can mention that during the researched period, there is observed a structural change in the distribution of credits in the banking sector. However, in the first place there are credits granted to trade, although their share dropped in 2016 compared to the first year of the period. On the other hand, the share of consumer credits is steadily increasing, which from position 4 in the ranking of 2014 goes to the second position of the ranking of 2016. The position of credits granted to the productive industry falls, although their weight in the total portfolio changes insignificantly.

Agricultural credits remain on the 6th position over the researched years, but the increase in their share is noted. The share of credits for the purchase or construction of real estate, which in practice in the domestic financial system equals the mortgage lending, is increasing steadily.

Table 3. The structure of the credit portfolio of the banking sector under the branch aspect, %

Branch of credits	31.12.2014		31.12.2015		31.12.2016		Absolute deviation in 2016 compared to 2015, p.p.
	%	Ranking	%	Ranking	%	Ranking	
Credits granted to trade	32.9	I	30.5	I	29.6	I	(3.3)
Credits granted to food industry	9.8	II	9.3	II	10.1	III	0.3
Credits to the productive industry	7.4	III	7.1	VI	7.3	V	(0.1)
Consumer credits	7.4	IV	8.0	III	10.2	II	2.8
Credits for the provision of services	6.9	V	7.2	V	6.5	VII	(0.4)
Credits for agriculture	6.4	VI	7.8	IV	7.3	IV	0.9
Credits for the purchase or construction of real estate	5.7	VII	6.1	VII	6.6	VI	0.9
Credits granted in the field of transport, telecommunications and network development	5.2	VIII	5.8	VIII	5.8	IX	0.6
Credits in the field of construction	3.8	IX	3.5	X	2.7	X	(1.1)
Credits to individual who have an activity	3.8	X	3.1	XI	2.5	XI	(1.3)
Credits to the non-banking financial environment	3.3	XI	3.8	IX	4.2	VIII	0.9
Credits to the energy industry	2.9	XII	2.9	XII	2.4	XII	(0.5)
Credits granted to administrative-territorial units	0.2	XIII	1.0	XIII	0.2	XIII	-
Other credits	4.3	XIV	3.9	XIV	4.6	XIV	0.3

Source: Developed by author based on NBM statistical data [4].

The share of construction credits in relation to saturation in the real estate market and stagnation in sales in this market segment is reducing. In examining the lending portfolio, an important aspect is represented by the beneficiaries of this borrowed capital.

The structural analysis of the credit portfolio in the banking sector shows that the overwhelming part of the beneficiaries of the borrowed capital is represented by legal

entities, among which are the individuals who carry out entrepreneurial activity.

However, during the researched period there is observed a steady fall in this category of borrowers. However, approximately in the same proportion (6.7 p.p. against 7.3 p.p. in the first category) the share of individuals, who use bank credits for consumption purposes have increased.

Table 4. Structure of the loan portfolio in terms of beneficiaries of financing, %

Beneficiary categories	2013	2014	2015	2016	Deviation in 2016 compared to 2013, p.p.
Resident legal entities, including individuals, practicing entrepreneurial activity or other types of activities	87.8	84.7	83.2	80.5	(7.3)
Non-resident legal entities, including individuals, who practice entrepreneurial activity or other types of activity	0.6	0.9	1.0	1.3	0.7
Resident individuals	11.6	14.5	15.7	18.3	6.7
Total	100	100	100	100	x

Source: Developed by author based on NBM statistical data [4].

The share of non-resident legal entities is insignificant, but it also shows a stable growth during the four years.

The lending portfolio in the banking sector includes loans both in national currency and in other currencies.

Table 5. Structure of the credit portfolio of the banking sector in the Republic of Moldova, by currency, %

Currency	2013	2014	2015	2016	Absolute deviation in 2016 compared to 2013, p.p.
MDL	58.9	60.2	57.9	55.7	(3.2)
USD	16.8	15.5	17.5	16.7	(0.1)
EUR	24.2	24.2	24.6	27.6	3.4
Other currencies	0.1	0.1	-	-	x
Total	100	100	100	100	x

Source: Developed by author based on NBM statistical data [4].

The value of credits in national currency amounted to 19,363.9 mil. MDL at the end of 2016, which is with 22% less than in 2013. The share of credits provided by the banking

sector in national currency decreased in 2016 compared to 2013 by 3.2 p.p. Loans in USD declined by 17.8% in 2016 compared to 2013, but their share in the researched period is fairly stable, with insignificant changes (a decrease of 1.3 percentage points in 2014 compared to 2013 and an increase of 0.7 p.p. in 2015 as compared to 2013). The amount of EUR loans declined by 6.1% in the researched period, increasing by 0.4 percentage points in 2015 and by 3.4 percentage points in 2015. Other currencies were used for lending in 2013 and 2014, but in the next two years have disappeared from the portfolio structure.

Lending is closely linked to the annual interest rate indicator. The interest rate is variable measure in time. Its level and dynamics are the result of the concurrent, convergent and contradictory action of several generic and specific factors with indirect or direct influences such as: a) profit rate; b) ratio between demand and supply of loan capital; c) risk to the borrower; d) inflation; e) duration of the credit; f) government policy [5].

The average weighted rate on bank loans has evolved from around 35% in national currency and 17% in currency in the year 2000 and up to 10% in national currency in 2014 and 5% in foreign currency in 2016.

Table 6. Dynamics of weighted average rates on bank loans, %

Years	Total on time	Up to 12 months	From 2 to 5 years	Over 5 years
2013	12.26	12.68	12.19	10.70
2014	10.59	11.23	10.24	10.13
2015	14.06	13.55	13.92	12.48
2016	14.20	14.91	13.81	12.49

Source: Developed by author based on NBM statistical data [4].

According to the NBM statistical data, weighted average bank credit rates had the same dynamics, regardless of the length of the lending period. All of them declined in 2014 compared to 2013, but in different proportions: for periods of credit over 5 years, the decrease is insignificant, only by 0.57 p.p., but for loans with periods of credit from 2 to 5 years with 1.05 p.p., and up to 12 months by 1.45 percentage points, but in 2015 an

increase in the weighted average rates begins, which continues in 2016.

The slowest increase is recorded in the average interest rate on long-term loans (over 5 years).

The quality of the loan portfolio is characterized by the value and the share of non-performing loans, due to which the license for the activity of some commercial banks was withdrawn in the last years.

The balance of debt on non-performing loans is declining in the period 2013-2015, but in 2016 this indicator increased by 16.3% compared to 2013 and by 49.3% compared to 2015.

Their share also increased the value of the lending portfolio. The same trend is observed for expired loans, which registered an increase by 7.4% in 2016 compared to 2013 and by 42.6% compared to the previous year.

Table 7. The balance of non-performing loans and the value of expired loans in the banking sector of the Republic of Moldova, mil. MDL

Indicators	2013	2014	2015	2016	Absolute deviation in 2016 compared to 2015, p.p.
Debt balance on loans	42,170	40,841	38,186	34,761	(7,409)
Debt balance on non-performing loans	4,876.4	4,790.3	3,798.0	5,669.9	793.5
Share of the balance of debt on non-performing loans in the total balance on credits	11.6	11.8	9.9	16.3	4.7
Total expired credits	4,393	4,862	3,311	4,721.5	328.5

Source: Developed by author based on NBM statistical data [4].

The analysis of non-performing loans in division by the commercial banks showed that Victoriabank, Moldova Agroindbank and Moldindconbank had the largest shares of non-performing loans in the structure of the credit portfolio, respectively - 29.7%; 23.1%; 21.9%.

The rest of banks have lower values, such as: Eximbank – Gruppo Veneto Banca 9.7%; "Mobiasbanca" with 5.3%; ProCreditBank with 3.5%; "Energbank" by 2.4%; "BCR

Chisinau" with 2.1%; "Comerțbank" with 1.3%; "FinComBank" with 0.8% and "EuroCreditBank" with 0.4%.

CONCLUSIONS

Lending is extremely important for the country's socio-economic development. The crisis that has developed in the banking system has affected the credit system as well as the national economy as a whole.

But at the same time, commercial banks have become more cautious in examining loan applications.

All this talk about the serious problems that exist in the banking management, and the necessity to improve the lending mechanism under conditions of economic and financial instability.

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