

## THE STUDY OF THE ROMANIAN LEASING MARKET DYNAMICS DEPENDING ON THE EVOLUTION OF THE DOMESTIC CREDIT

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### *Abstract*

*The domestic credit is one of the essential indicators of a national economy. In this context, the paper aimed to analyze the credit influence on the national economy and its effects on the economic development. Also, an important part of the domestic credit is represented by the market of leasing credits, alongside the investment credits or the mortgages. Their evolution is presented in detail in this paper. As a conclusion, the increase of the domestic credit helped at the formation of a stability at a macro-economic level, contributing to maintaining an economic growth and an economic recovery after a difficult period.*

**Key words:** credit, economy, leasing

### INTRODUCTION

The credits are an important way of mobilizing the capital and transporting it from the fund holders to the people or holdings which want to invest. This process is contributing at the development of the national economy, by funding the investments and acquisitions of all types [3, 4].

The credits come in a variety of types, these types containing leasing credits, which help an individual or a legal entity to buy a specific type of capital.

The simplest definition of leasing credits mentions that these credits are a modality to obtain funds for the acquisition of vehicles, equipment or estate.

The transactions are made through leasing societies [1, 6].

The leasing market is formed from societies which have to meet at least two requirements: it must prove in papers that its activity object is 'leasing' and it must have the sum of minimum 50.000 lei as joint stock.

These societies can register at the Romanian National Bank (BNR) and they can also register within The Romanian Leasing Societies Association (ASLR), The Romanian Operational Leasing Societies Association (ASLO) or The Romanian Financial Societies

Association (ALB).

These societies generate annual statistics related to leasing credits in Romania and provide valuable information regarding the leasing market evolution.

From the acquisition point of view, the leasing can be classified into several categories. We are focusing in this paper on the financial and the operational one. While the financial leasing refers to the fact that, at the end of leasing period, the bought asset can be considered in the buyer propriety and he takes the risks and the benefits related to this propriety right starting from the moment when the contract is signed, the operational leasing is focused on the usage of the asset, the user returning the asset at the end of leasing period [5, 8].

The leasing credit is an important part of the domestic credit, which includes several types of credits, such as mortgage or investment credit [2, 6].

The mortgage refers to the acquisition of estate and the investment one has as principal object the funding of public or private investment.

From the creditor point of view, the domestic credit is classified in governmental credit and loans for the private sector.

## MATERIALS AND METHODS

This study is based on the data taken from the databases of leasing societies associations (ALB [6] and ASLO [7]), from the publications of BNR [5] and from the publications of The National Institute of Statistics [8]. These data are then analyzed, observing the phenomenon and the evolution from the leasing market within the monetary and capital market. At the end, we will try to describe a trend line for the future.

## RESULTS AND DISCUSSIONS

The Romanian leasing market is in a permanent change and depends on the multitude of factors, being influenced by the interdependency between markets. Thus, a decrease of leasing market results from the decrease of the number of bought vehicles and the investments made within a national economy and an economic growth leads to a better development of the leasing market.

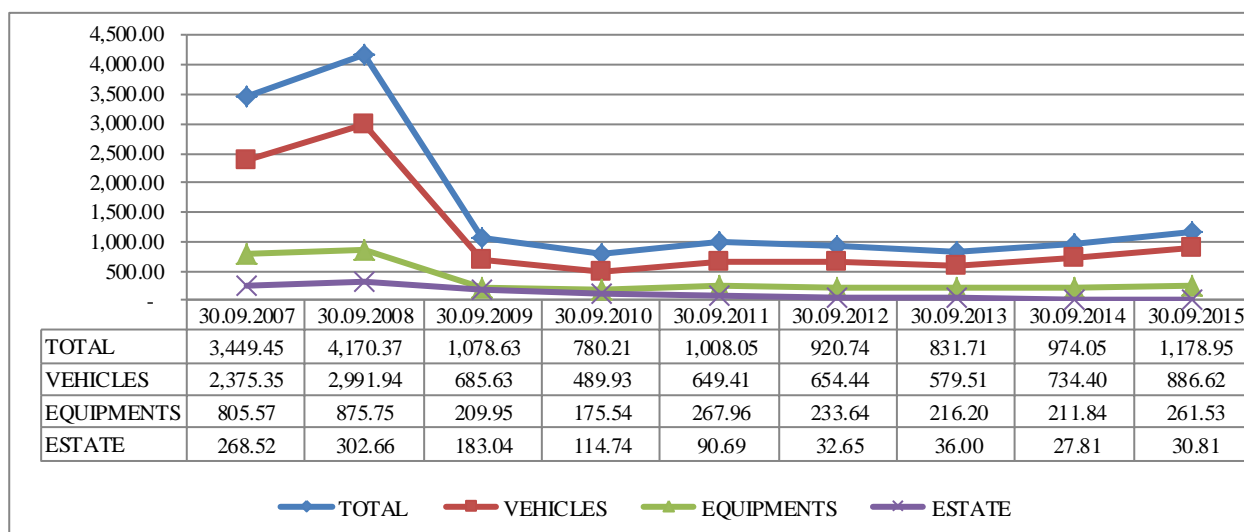


Fig. 1. The evolution of financial leasing (quarterly growth)  
 Source: Own determination based on the data provided by ALB and ASLO

Next, we will present the evolution of the recorded an increase of over 50% faced to the same year of 2010, with some oscillations in 2012 and 2013, inherent to a recovery period within this phase of the economic cycle. leasing market for the two important types of leasing: financial and operational. Figure 1 presents the evolution of the financial leasing and Figure 2 the evolution of the operational leasing.

As we can observe in Figure 1, the evolution of the total numbers on the financial leasing market is an oscillating one.

Although in 2009 this market had known an extremely large fall (from over 4 billion euro in 2008 to 780 million euro in 2010), because of the effect of economic crisis, which led to a littler or bigger general decrease of all the economic sectors. This decrease of approximately 81% represented a minimum

point of the leasing market in the period 2007-2015, from this point of view the market recording a slight recovery. Thus, the estimation in 2015 had recorded an increase of over 50% faced to the same year of 2010, with some oscillations in 2012 and 2013, inherent to a recovery period within this phase of the economic cycle.

The numbers which show the leasing market evolution for vehicles are similar to the total ones, the evolution of the operations on this market fitting to the model of the evolution of total numbers, maybe due to the fact that the vehicles represent a major part of the sales and acquisitions on the leasing market.

The evolution of the equipment market has not recorded such a sudden fall, because the equipment market is secondary on that market. As in the case of vehicle leasing, a growth trend can be seen, even if between

2011 and 2013 a slight decrease can be observed in the number of sales.

The leasing in estates has been the less influenced by the moment of economic crisis. Though, it recorded a decrease of approximately 40%.

A fall trend can be observed in this sub-market, probably because the less number of investments in this area after this unquiet period of economic bereavement and oscillations harmful to national economies.

A prolonged effect of this moment can be observed, because of the high risks of investments in buildings destined to businesses.

Figure 2 presents the evolution of the operational leasing from 2007 to 2015 (estimation in this year).

Unlike the financial leasing, the operational one had an approximate constant increase, given by the nature of this leasing.

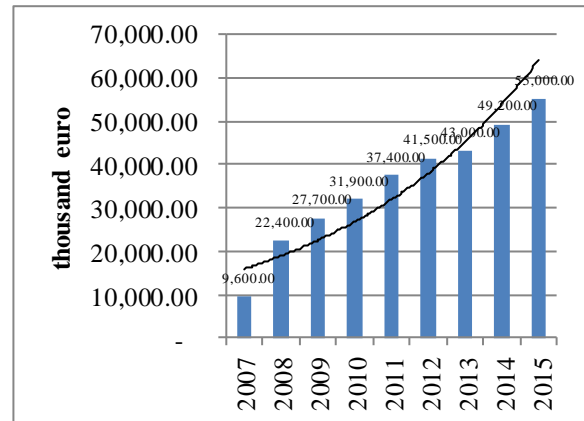


Fig. 2. The evolution of financial leasing quarterly growth)  
 Source: Own determination.

Besides a less increase in 2013 than in the other years and a sudden increase in 2008 from 2007, the operational leasing market has no surprises to offer in the domain of sales evolution.

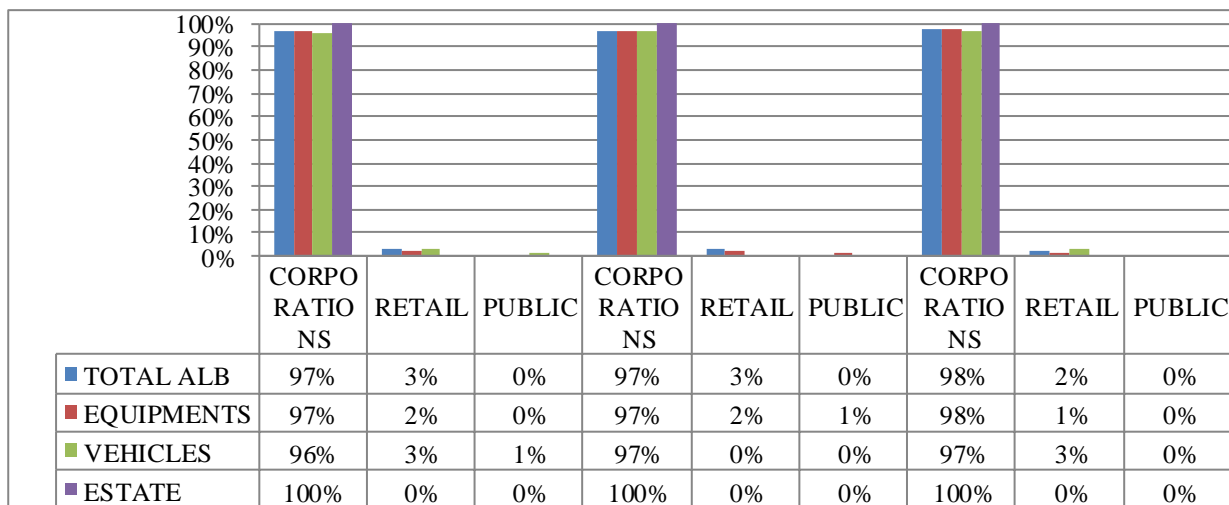


Fig. 3. The Romanian financial leasing market by the user category (30.09.2013-30.09.2015)  
 Source: Own determination based on the data provided by ALB and ASLO

Now, we will study the leasing market from the point of view of categories of leasing credit users, presented in Figure 3.

As it can be seen, the majority of clients of leasing credits are the corporations in the case of all the three categories of sub-markets of leasing market and we can talk about a monopoly of this type of clients on the market. The category which contains the retail-type clients represents a very little part

of this market and the public clients are almost non-existent on this market.

The leasing market is an integrant part of the Romanian credits market, implicitly existing a strong interdependence between these two markets. Thus, even if the leasing credit had a decreasing trend, the domestic credit grew in 2007-2012, as Figure 4 shows.

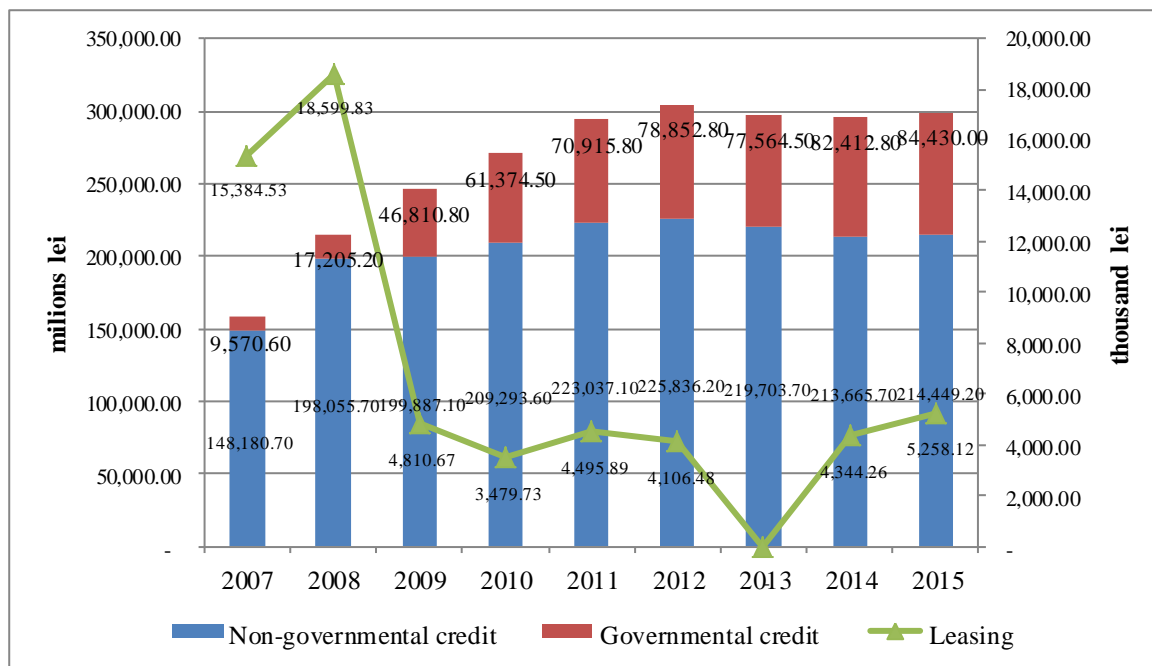


Fig. 4. The compared evolution of the domestic credit and leasing credits  
 Source: Own determination based on the data provided by BNR.

In the figure above, it can be observed that the moment of the economic crisis had not influenced very much the domestic credit. The two components of the domestic credit,

governmental and private, had a slightly similar evolution, the both values growing up in 2007-2012.

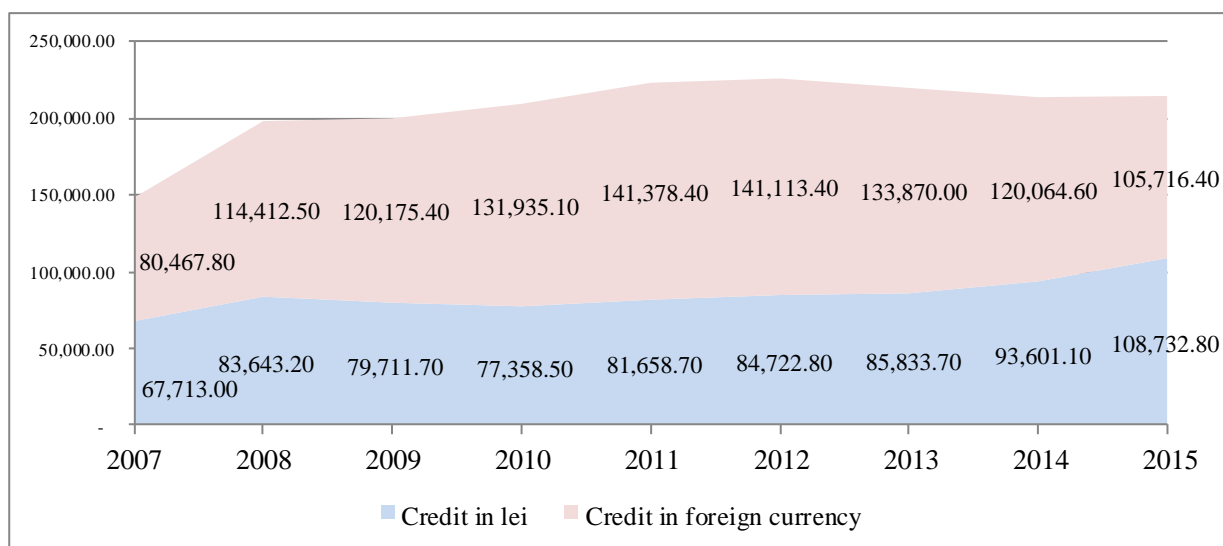


Fig. 5. The compared evolution of the domestic credit and leasing credits  
 Source: Own determination based on the data provided by BNR.

Starting from this point, the value of the domestic gross started to have an oscillating period, having quite an unpredictable behavior.

The value of the credits given to the private sector had a smaller increase in 2008-2010, in Figure 4 being observed the dynamics of the

private credit for its two categories: in lei and in other currencies.

A bigger preference for credits in other currencies can be observed in 2007-2012, given to the relatively low stability of the ratio lei/euro. Due to this fact, the credits in lei had a decrease in 2007-2013. Although, a trust

given to this types of credits by the customers can be observed and, implicitly, a recovery of the credit values in the national currency.

The credits in foreign currencies have a decreasing trend starting from 2013, confirming the decreasing tendency of the value of credits given to the private sector. This thing is owed to the stabile rate of the currency of leu in front of the foreign currencies, stabilizing itself after a difficult period of the national economy.

Thus, the behavior of the value of the non-governmental (private) credits can be seen in Figure 5.

## CONCLUSIONS

The increase of the domestic credit helped at the formation of a stability at a macro-economic level, contributing to maintaining an economic growth and an economic recovery after a difficult period from this point of view.

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