

Moldova

Strong parent banks but weak courts

Moldova is characterised by a strong domestic bank presence throughout the country and a sprinkling of foreign banks, mostly in Chisinau and Balti (Chart 1). Nearly all respondent banks agree that private domestic banks are strong competitors for small and medium-sized enterprise (SME) and large enterprise lending. Foreign banks have become stronger competitors over the surveyed period 2007 to 2011.

Moldovan banks cite insufficient credit demand and lack of creditworthy customers as the main constraints to lending. In line with this, banks report participation in specialised lending programmes of the government or international agencies to support lending to micro, small or medium-sized enterprises (MSMEs) as “important” or “very” important in attracting new customers.

Foreign banks in Moldova score the highest across the CIS region on the strong parent index, a summation of answers to questions regarding the influence and control exerted by the parent over its foreign subsidiary. Moldovan foreign bank subsidiaries report that their parent banks are an

“important” or “very important” factor in shaping various strategies and policies, from the management of their credit risk portfolio to their customer choice (Chart 2). Interestingly, foreign-owned banks in Moldova seem to be financed relatively independently and do not, for instance, rely on parent bank funding to bridge unexpected negative shocks to their local deposit base or shortfalls in wholesale funding.

Just 20 per cent of responding Moldovan banks “agree” or “strongly agree” that the court system is able to enforce its decisions and less than 10 per cent agree that it is fair and impartial. None of the respondents agree that the court system is quick and efficient. Indeed, banks typically expect that it would take about two years before they would receive judgment to enforce their security over the collateral of a defaulted loan, which is by far the longest period in the CIS region (Chart 3).

The banking regulator is viewed in a more positive light with over 50 per cent of banks agreeing or strongly agreeing that the regulator is quick and efficient. However, almost three-quarters of Moldovan banks report that uncertainty over future laws and regulations.

Chart 1 Bank localities by ownership

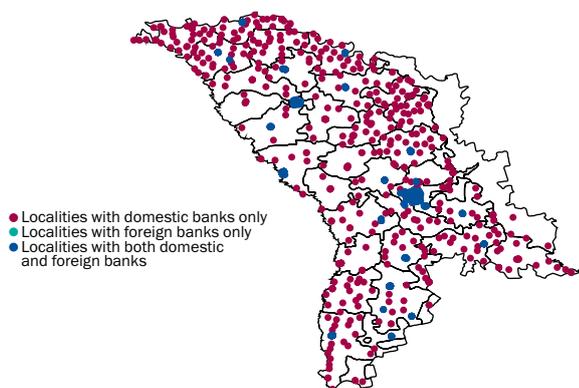


Chart 2 Areas of parent bank influence

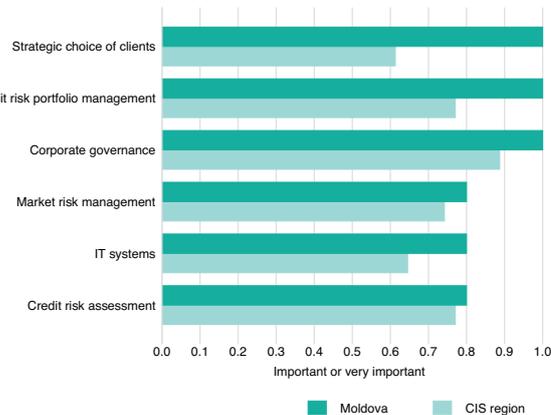


Chart 3 Time taken for court enforcement of security over collateral

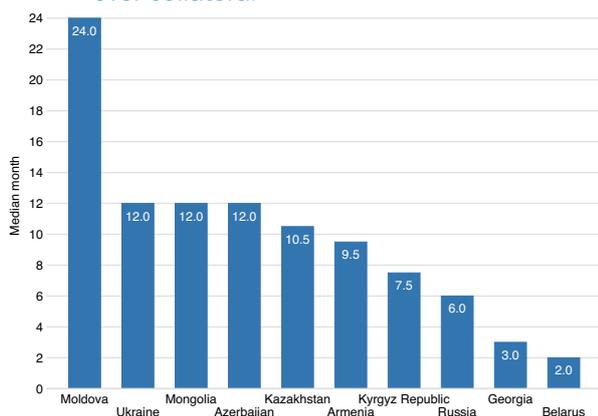


Chart 4 Uncertainty over future laws and regulations disposes bank towards...

