

Romania

The Romanian banks surveyed account for 84 per cent of the country's total banking assets, with the majority of assets owned by foreign banks (Chart 1).¹ Nearly two-thirds of banks in Romania expect their branch networks to shrink over the next five years, slightly above average for south-eastern Europe (SEE) and the EBRD regions, while a small minority expect an increase, slightly below their peer-group averages (Chart 2).²

More than 70 per cent of Romanian banks have environmental and social policies and targets in place, in line with the SEE and EBRD average. Some 55 per cent report having climate change policies and targets, 15 percentage points higher than average in the EBRD or SEE regions.

When it comes to lending to small and medium-sized enterprises (SMEs), all Romanian banks say they undertake environmental impact assessments on at least some loans, the highest share in SEE (Chart 3). On average, just under 80 per cent of SEE banks undertake such assessments. The proportion of Romanian banks undertaking corporate governance and climate change-related impact assessments is similar to the average share across the EBRD regions.

All of the Romanian banks surveyed say they provide loans for the specific purpose of improving the energy efficiency of SMEs and/or corporate clients, the only SEE economy to do so (Chart 4). By comparison, three out of four banks in the SEE and EBRD regions provide similar loans. Conversely, only 45 per cent and 36 per cent of banks in Romania, respectively, provide loans to improve the energy efficiency of residential housing or commercial real-estate – among the lowest in the SEE region.

Chart 1 Branch presence of surveyed banks

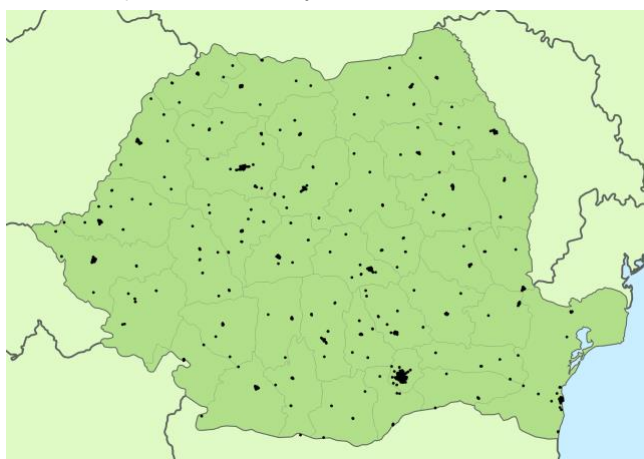


Chart 2 Branch network expectations, next five years

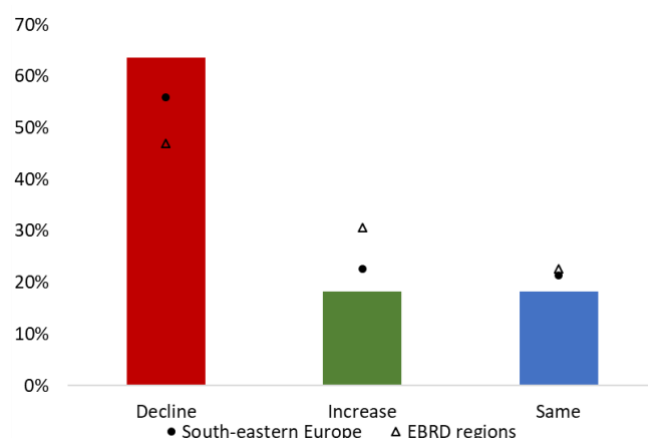


Chart 3 Impact assessment of SMEs before loan approval

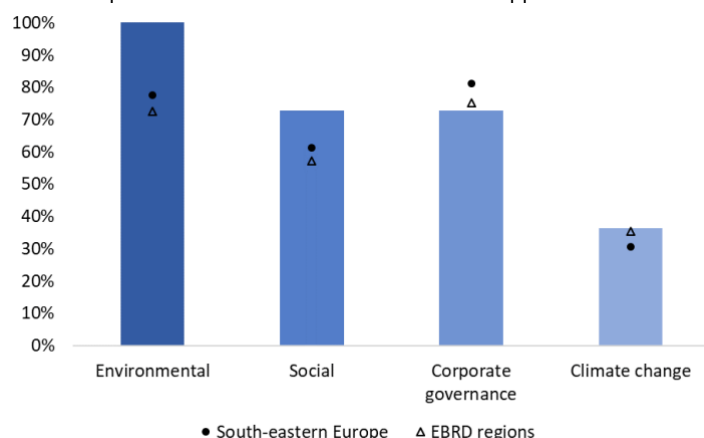
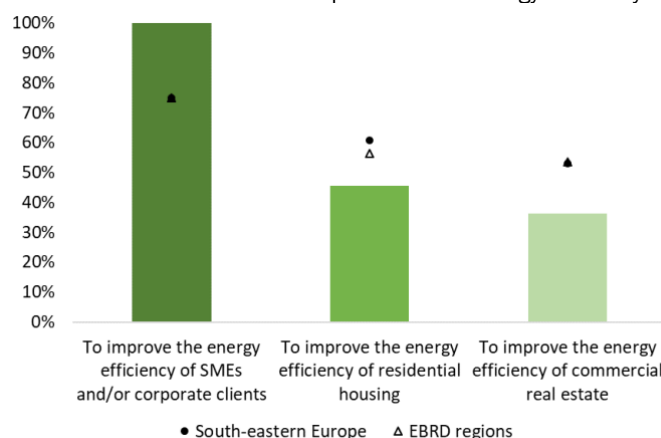


Chart 4 Prevalence of loans to improve clients' energy-efficiency



¹ Foreign banks account for 72 per cent of surveyed banking assets.

² In Charts 2, 3, 4, 7 and 8, the bars refer to the percentage share of bank in Romania.

On the adoption of digital technologies, more than 60 per cent of Romanian banks view trade finance, corporate lending and asset management as the businesses with most to gain from fintech (Chart 5). Close to 30 per cent of Romanian banks perceive fintech as a threat to trading and sales, a much higher proportion than the average 15 per cent and 10 per cent of banks with similar views in the SEE and EBRD regions, respectively.

Romanian banks also appear to be ahead of the EBRD and SEE regional averages in the uptake of most digital technologies (Chart 6). More than 60 per cent of Romanian banks have launched commercially the use of biometric authentication for customer identification and digital wallet solutions. In comparison, on average, just 30 per cent and 40 per cent of banks in the SEE and EBRD regions, respectively, use these technologies on a commercial basis.

In general, while Romanian banks are actively adopting the use of digital technologies in banking, 80 per cent are concerned about IT security and regulatory uncertainty with regard to fintech (Chart 7). Around 45 per cent say they would like to invest more in fintech, but are financially constrained, while 30 per cent say they face difficulties in establishing links with fintech companies. About 25 per cent of banks report strong competition from internet banks and non-bank online lenders, while half report stiff competition from non-bank finance companies in retail lending.

Insufficient demand for credit is the main constraint on Romanian banks lending to innovative industries, such as information technology (IT), chemicals and pharmaceuticals. Forty per cent of banks in Romania identify this as the most important concern, compared with 30 per cent or fewer in the SEE and EBRD regions (Chart 8). A lack of creditworthy customers, insufficient collateral, the absence of government loan guarantee programmes and loan officers' inability to evaluate credit risks are some of the other challenges they face when lending in this sector.

Among the SEE economies, Romania has the highest proportion of banks that perceive their court system to be fair and impartial. Indeed, 70 per cent of Romanian banks describe it as such. The comparable figures in SEE and the wider EBRD regions are 30 per cent and 44 per cent, respectively.

Chart 5 How fintech will affect banks' business lines

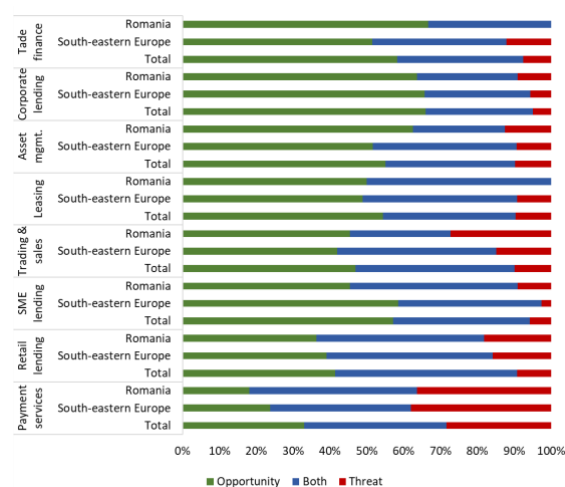
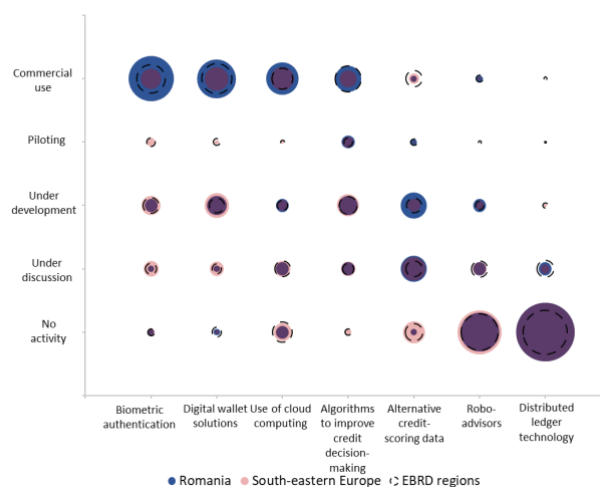


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Concerns about digital technologies

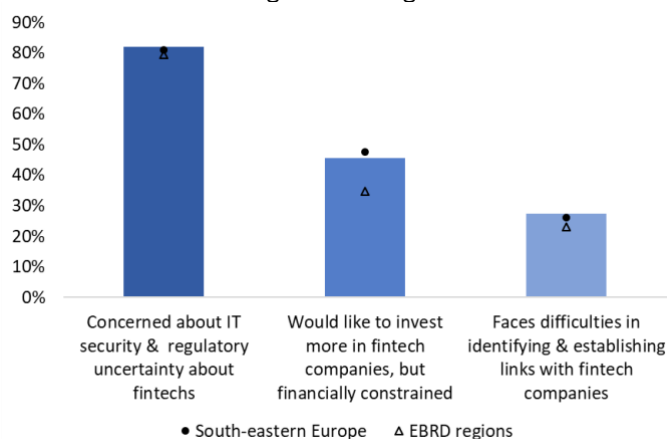


Chart 8 Constraints on lending to innovative industries

