

Romania

Strong parents and banking regulators

The bank branch coverage of Romania is extensive with the whole of the country serviced by a combination of foreign and domestic banks (Chart 1). Outside of Bucharest, foreign-owned banks are mostly concentrated in the regional capitals with domestic banks reaching deeper into the market. Foreign banks are perceived as strong competitors for small and medium-sized enterprise (SME) and large enterprise lending. Private domestic banks are also seen as strong competitors in SME lending. Since the financial crisis of 2008-09, Romanian banks have cited insufficient credit demand, including a lack of credit worthy customers, as the main constraint to SME and large enterprise lending.

Amongst foreign-owned banks, Romania ranks highest in the region in terms of the amount of influence parent banks wield over their subsidiaries.¹ For example, a high proportion of banks report their parent's influence to be "important" in shaping credit risk portfolio management and the strategic choice of customers. Furthermore, 85 per cent of Romanian banks report that their

parent bank operates a centralised treasury department or desk that centrally raises funding for subsidiaries. This compares to 51 per cent in the rest of the region (Chart 2). Interestingly, the share of banks that "agree" or "strongly agree" that parent banks are a relatively cheap source of funding dropped from over 90 percent to just 50 percent between 2007 and 2011 (Chart 3).

Slightly more than 40 percent of Romanian banks describe their court system as fair, impartial and able to enforce its decisions, the highest portion in the region. Corruption is low, with less than 5 per cent of banks agreeing that it is common for banks to pay some irregular payments/gifts to court officials, the lowest share in the region (Chart 4). The banking regulator is seen almost unanimously as fair and able to enforce its decisions, but only around half the banks see it as quick and efficient.

Romanian banks score relatively well on questions pertaining to the ability of laws to enable efficient creation and enforcement of security rights. Romanian banks also report one of the shortest wait times in the region (three months on average) to receive a judgment to enforce their security over collateral.

Chart 1 Bank localities by ownership

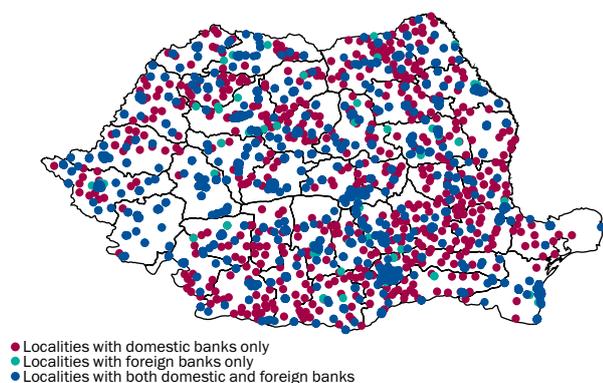


Chart 2 Percentage of parent banks operating a centralised treasury desk

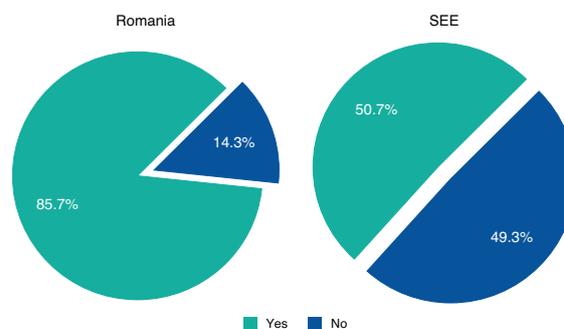


Chart 3 Agreement that parent banks are a cheap source of funding

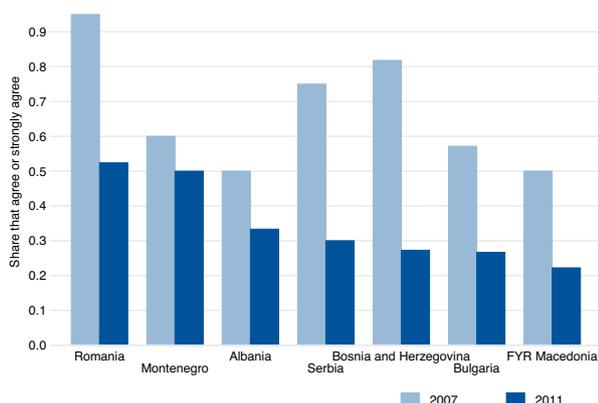
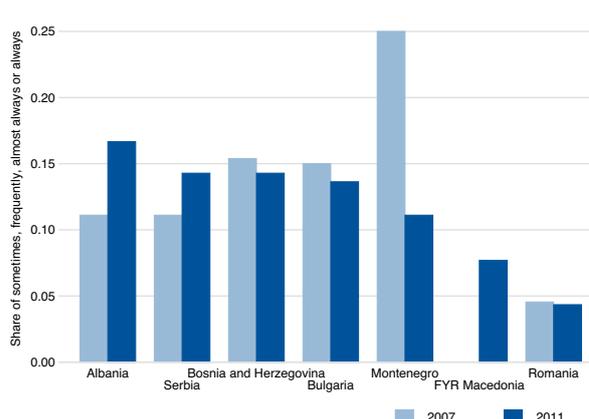


Chart 4 Perception that it is common for banks to make irregular payments to court officials



¹ The strong parent index is a summation of answers to questions regarding the influence and control the parent exerts over the subsidiary.