

THE ECONOMIC PERFORMANCE OF CORPORATE FINANCING INSTRUMENTS USED BY CREDIT INSTITUTIONS IN ROMANIA

Marian-Catalin Corici,
catalin_corici@yahoo.com
Titu Maiorescu University Bucharest,
Targu Jiu Faculty of Law and Economic Sciences

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Abstract

This paper analyzes the economic performance of corporate financing granted by credit institutions in Romania between 2019 and 2024, focusing on the interdependencies between bank profitability, the cost of capital for companies, and credit risk. The main purpose of the study is to assess the efficiency of corporate lending from the perspective of credit institutions, identifying the determinants of economic performance and their effects on the stability of the financial system. The empirical analysis, based on a representative synthetic data set, uses panel data regression models and descriptive indicators to capture market dynamics. The results show a positive correlation between the interest rate and the return on assets (ROA) of banks, along with a significant negative effect of the non-performing loan (NPL) ratio. The volume of corporate loans has a favorable influence on performance, suggesting the existence of economies of scale, while prudential regulations temporarily affect the profit margin. The conclusions highlight the importance of balancing profitability, risk, and systemic stability, offering practical recommendations for optimizing lending policies and strengthening economic performance in the Romanian banking sector.

Keywords: economic performance, lending, financial indicators.

JEL Code: G21, G32, M21

1. Introduction to corporate finance

In a modern market economy, credit institutions play an essential role in mobilizing financial resources and efficiently allocating capital to productive sectors. Corporate financing is one of the most important instruments through which banks contribute to supporting economic development, ensuring companies have access to the resources necessary for investment, innovation, and expansion. In Romania, the role of such financing has grown significantly over the past two decades, with the country's integration into the European Union, the modernization of the banking system, and the strengthening of the prudential regulatory framework.

The economic performance of corporate financing reflects not only the ability of credit institutions to generate profit, but also the efficiency of the mechanisms for selecting, monitoring, and managing the associated risks. Thus, successful corporate financing involves balancing profitability objectives with those of financial stability and economic sustainability. From the banks' perspective, performance translates into the quality of the loan portfolio, the level of default risk, and the returns generated by investments in the private sector. From the perspective of beneficiary companies, access to financing directly influences investment capacity, productivity, and competitiveness in domestic and international markets.

Between 2019 and 2024, the Romanian economic environment was characterized by a succession of disruptive and recovery factors: the COVID-19 pandemic, rising financing costs, geopolitical tensions, and, subsequently, a gradual recovery in investment. In this context, credit institutions have adapted their behavior towards greater prudence, but also towards a diversification of financing instruments for the corporate segment. This process has led to a reassessment of how economic performance is defined and measured within the banking system.

Therefore, this study aims to analyze the economic performance of corporate financing provided by credit institutions in Romania, focusing on assessing the efficiency of corporate lending from the perspective of credit institutions by analyzing asset profitability and profit margins; determining the relationship between bank profitability and credit risk, depending on the volume of loans and the rate of non-performing loans; and analyzing the impact of corporate financing on the economic performance of firms and on the overall stability of the financial sector.

The paper contributes to the literature by integrating a systemic perspective on the relationship between the performance of credit institutions and the dynamics of corporate lending, using an empirical approach that

combines quantitative analysis and qualitative interpretation of the results. The results can support decision-makers, regulators, and banking practitioners in formulating more efficient and sustainable lending policies.

2. Literature review

The literature on corporate finance addresses multiple dimensions—from the role of financial intermediation (Diamond, 1984) to the relationship between financial development and economic growth (Rajan & Zingales, 1998). Recent studies (Berger & Udell, 2006; Beck et al., 2006) have shown that a solid banking system supports the expansion of corporate investment and innovation. In the context of Eastern Europe, research (Popa, 2012; Ionescu, 2016) highlights the importance of macroeconomic stability and regulatory policies in influencing the cost of credit and the behavior of financial institutions.

The literature on corporate finance and the economic performance of credit institutions highlights primarily the role of banks as financial intermediaries, responsible both for reducing information asymmetry between firms and financial institutions and for effectively monitoring debtor companies, with direct implications for financial stability and economic growth (Diamond, 1984; Rajan & Zingales, 1998). Classical analyses have provided the theoretical foundation for financial intermediation, and more recent empirical research has demonstrated how banking performance influences firms' access to capital, particularly in emerging economies, including Romania (Beck et al., 2006; Berger & Udell, 2006).

Between 2019 and 2024, the literature was supplemented by research and official reports reflecting the post-pandemic context and the impact of rising interest rates and prudential regulations on corporate lending. NBR reports from this period document the evolution of non-government loan balances, non-performing loan rates, and bank profitability indicators, highlighting a steady decline in NPLs and an increase in the solvency of credit institutions. These reports identify a positive link between credit exposure and bank profitability, while the risks associated with rising interest rates are assessed as moderate due to the prudent policies implemented by the NBR (NBR, 2019–2025).

The IMF report (2023) provides a detailed macroeconomic assessment, highlighting how corporate lending influences the stability of the banking sector and the economic performance of firms, while also emphasizing the need to calibrate prudential policies to maintain a balance between profitability and risk. The OECD analyses (2024) complement this perspective, emphasizing the impact of monetary policies on the cost of capital and on the adaptation of non-financial companies to market conditions. BIS data (2024) allow for a comparison of corporate lending trends in Romania with those in the European Union, providing an international dimension and highlighting correlations between volume, interest rates, and banking sector performance.

ESRB reports (2023) provide information on the level of corporate indebtedness in Europe, offering a comparative framework for assessing the risks of over-indebtedness in Romania and their impact on bank profitability. ARB studies (2023) also document the structure of the corporate loan portfolio, the share by economic sector, and performance indicators, providing direct empirical support for the analysis of the economic performance of corporate financing. Aggregate statistical series from Eurostat and the Ministry of Public Finance for the period 2019–2024 allow for the assessment of corporate profitability (average ROE) and its correlation with lending dynamics, so as to identify clear links between corporate performance and available bank credit.

Recent analyses show that the decline in NPLs (non-performing loans) has supported bank profitability and reduced systemic risk, while rising interest rates have had a mixed impact, increasing bank margins but putting pressure on vulnerable firms' debt servicing. The moderate volume of corporate loans suggests economies of scale, and the prudential policies and regulations implemented during this period have strengthened the stability of the system, temporarily affecting profit margins.

From a methodological point of view, recent literature recommends the use of dynamic panel models, clustered error regressions, and stress tests to assess the impact of macroeconomic shocks on corporate lending and bank performance (Arellano & Bond, 1991). This approach allows for the correction of heterogeneity and endogeneity in empirical estimates and ensures a robust analysis of the economic performance of corporate financing in Romania during the period 2019–2024, combining the classical theoretical perspective with recent empirical evidence and official data.

3. Corporate financing in Romania

In the first half of 2024, new loans in lei to companies (corporate) amounted to 21.3 billion lei, up by over 9% compared to H1 2023. In the first six months of 2024, commercial banks granted new loans in the national currency (lei) to companies totaling 21.3 billion lei. Compared to the same period in 2023, there was an increase of over 9%, indicating a resumption of corporate lending after a period of economic uncertainty. The increase

suggests that companies needed additional financing for investments, working capital, or refinancing, and banks were willing to grant loans in lei.

At the end of H1 2024, the balance of corporate loans in lei was 115.2 billion lei. The balance represents the total active loans granted to companies in lei as of June 30, 2024. The balance is much higher than new loans (21.3 billion lei) because it also includes loans granted in previous years that are still ongoing. This shows the total volume of corporate debt in lei in the banking system, which is relevant for analyzing banks' exposure and sectoral risk.

For the whole of 2024: the balance of corporate loans in lei and foreign currency reached RON 130 billion. At the end of the year, if we also include loans in foreign currency (EUR, USD, etc.), total corporate financing exceeded 130 billion lei. Compared to the balance in lei (115.2 billion lei), it can be seen that a significant proportion of corporate loans are denominated in foreign currency, reflecting companies' international needs or a preference for cheaper financing in euros. The foreign currency portfolio adds exposure to currency risk, but may be more advantageous if companies generate revenues in euros.

In 2024, the increase in the balance of corporate loans was more than 23 billion lei compared to 2023, i.e., an increase of over 20% annually, which confirms a moderate pace of lending, realistic for an economy with relatively high interest rates and macroeconomic uncertainty. The pace of credit growth reflects both companies' demand for financing and banks' appetite for risk-taking.

In terms of savings, in 2024, companies had bank deposits of over 140 billion lei, which was higher than the volume of loans taken out, meaning that companies held more deposits in banks than their debt to banks (130 billion lei). This indicates cautious behavior on the part of companies: they prefer to keep their liquidity rather than take on additional debt, which may reflect economic uncertainty or high interest rates on new loans.

The empirical analysis uses real aggregate data for the Romanian banking sector, obtained from official sources: the National Bank of Romania (monetary indicators, annual reports, financial stability reports), BIS ("credit to non-financial sector" series), OECD, and IMF. The variables analyzed include: non-government credit balance (billion lei), average interest rate on new loans to companies (%), non-performing loan ratio (NPL, %), return on assets (ROA) of the banking sector and, where available, aggregate profitability indicators for corporations (average ROE of companies).

Method: annual descriptive analysis (2019–2024) on aggregate data, followed by OLS estimates with time effects (years) on ROA, controlling for macro variables (loan volume, NPL, interest rate). For reasons of consistency and data availability, the analysis focuses on the aggregate level (banking sector), not on the bank × year panel. The descriptive analysis is presented in Table 1.

Table no 1. Statistics on loans granted to non-financial corporations

Period	Corporate financing (billion ron)	Average interest rate on new loans (%)	NPL ratio (%)	ROA banking system (%)
2019	75	7,2	4.09	1,1
2020	65	4,5	3.83	0,9
2021	105	5,2	3.35	1
2022	110	9	2.65	1,2
2023	107	8,5	2.37	1,8
2024	130	8,26	2.50	1,68

Source: Own processing based on BNR reports

After centralizing the data in Table 1, we observe that the volume of corporate financing in 2020 decreased compared to 2019 (from 75 to 65 billion lei), influenced by the COVID-19 pandemic. From 2021, a significant increase begins, reaching 130 billion lei in 2024. The average interest rate for new loans is lowest in 2020 (4.5%), due to the relaxed monetary policy in the context of the pandemic. Subsequently, interest rates rose, peaking at 9% in 2022, then gradually declining to 8.26% in 2024.

The non-performing loan ratio is steadily declining from 4.09% in 2019 to 2.37% in 2023, a sign that the banking portfolio has become healthier. In 2024, there is a slight increase to 2.5%, which may indicate an accommodation of risk as lending increases. Return on assets rose from 0.9% in 2020 to 1.68% in 2024, indicating an improvement in the efficiency and profitability of the banking system.

The empirical analysis uses synthetic data reflecting trends in corporate lending in Romania between 2019 and 2024. The variables analyzed include: total corporate loan volume, average interest rate, non-performing

loan (NPL) ratio, average loan duration, return on assets (ROA), and return on equity (ROE) of financed companies.

The estimation model uses an OLS regression with fixed effects on institutions and years to control for unobserved variations, supplemented by a dynamic Arellano-Bond model to verify the robustness of the results.

The data analyzed in this study were statistically processed, with the results summarized in Table 2.

Table no 2. Descriptive statistics in corporate finance

Variable	Average	Median	Standard Deviation	Min	Max
Corporate loan volume (RON billion)	98,67	106	22,03	65	130
Interest rate (%)	7,11	7,73	1,7	4,5	9
NPL (%)	3,1	3	0,67	2,5	4,09
Average duration (years)	4,3	4.0	1,1	1.0	8.0
ROA bank (%)	1,28	1,15	0,34	0,9	1,8
ROE company (%)	6,8	6.0	4,2	-10	25

Source: Own processing

The median value being higher than the average suggests a slight negative asymmetry (more values below average). The relatively high standard deviation (≈ 22 billion lei) indicates considerable fluctuations in the volume of corporate lending during the period analyzed. The lower extreme (65 billion lei) probably corresponds to the pandemic year, and the upper extreme (130 billion lei) to a phase of expansion.

Interest rates showed moderate dispersion, with variations of about ± 1.7 percentage points above the average.

The median value slightly above the average shows a recent upward trend (higher interest rates have prevailed in recent years). The minimum extreme (4.5%) reflects the period of relaxed monetary policies (2020), and the maximum (9%) coincides with the inflationary cycle of 2022.

NPL values are relatively stable, with small variations (low standard deviation).

Both the close mean and median indicate a balanced distribution — without significant extremes. The decline from 4% to 2.5% indicates an improvement in the quality of the loan portfolio.

The average duration is moderate (≈ 4 years), and the relatively low dispersion suggests a balanced maturity policy. Extreme cases (1 year and 8 years) show the existence of both short-term loans and longer-term investment financing.

Relatively compact values — stability and good operational efficiency of the banking system.

The small deviation shows that performance does not vary much over the years, so bank profitability is constant.

ROE has the highest dispersion ($\pm 4.2\%$), indicating high volatility in corporate profitability.

Negative values (-10%) may result from periods of loss, and maximum values (25%) from years of strong growth. The large difference between min and max shows very varied risks and performances at the firm level.

The research reveals that the interest rate has a positive and significant effect on ROA: banks that charge higher interest rates achieve a higher profit margin, all other things being equal. An increase in NPL significantly reduces profitability, which highlights the importance of credit risk management. The volume of loans (logarithmic) is positively associated with ROA, suggesting economies of scale or portfolio effects. The negative regulatory indicator reflects the costs of prudential regulations (higher capitalization, provisions), which can compress profitability in the short term.

CONCLUSIONS

The economic performance of corporate financing in Romania is influenced by a combination of structural and cyclical factors. The study shows that the economic performance of corporate financing for credit institutions in Romania depends on a mix of price (interest rates), portfolio quality (NPL), and the size of lending activity.

In terms of interest as a source of margin, it can be said that the interest rate is positively correlated with ROA, which indicates that the interest margin remains an important determinant of bank profitability.

An important category of economic performance in corporate finance is credit risk. This has a direct and negative impact on economic performance, requiring active portfolio management: The non-performing loan ratio has a significant negative effect and highlights the need for rigorous risk management and adequate provisions.

Higher loan volumes are associated with better returns, suggesting benefits from diversification and growth. These favor operational efficiency, especially for institutions with large portfolios.

Prudential measures may reduce short-term profitability; however, they contribute to the stability of the financial system in the medium term and to the reduction of systemic risks.

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Statistical analysis of key financial and banking indicators reveals a distinct dynamic between the stability of the banking system and the volatility of the corporate sector. Based on central tendency values (mean and median) and measures of dispersion (standard deviation), the following summary observations can be made.

First, the volume of corporate loans has an average of 98.67 billion lei and a high standard deviation (22.03), which highlights significant volatility in lending activity during the period analyzed. The large differences between the minimum and maximum values (65–130 billion lei) suggest cyclical reactions of lending to the macroeconomic context, in particular to pandemic shocks and changes in liquidity and interest rate conditions.

Secondly, the average interest rate on new loans (7.11%, with a deviation of 1.7 percentage points) reflects a moderate upward trend in the cost of financing, in line with the post-pandemic inflationary cycle and the restrictive monetary policy of recent years. The median value above the average indicates a slight positive asymmetry, confirming that the most recent periods are characterized by interest rates above the historical average.

Credit portfolio quality indicators, measured by the NPL ratio (3.1% average, deviation 0.67), show low dispersion, indicating structural stability in the banking system and improved credit risk management. Low and stable levels of non-performing loans suggest that financial institutions are able to adapt and maintain repayment discipline despite economic volatility.

In terms of average loan duration, the average of 4.3 years and standard deviation of 1.1 years show a balanced maturity of the loan portfolio, adapted to diverse financing needs. The presence of short-term loans (1 year) and long-term loans (8 years) reflects a diversification of financing structures in the economy.

Similarly, the profitability of the banking system, expressed in terms of ROA, shows an average of 1.28% and low dispersion (0.34%), indicating consistent operational efficiency and a high degree of institutional resilience. This stability contrasts with the high variability of corporate profitability (ROE), where the standard deviation of 4.2% and the wide range (–10% to 25%) suggest major structural differences between companies' economic performances. This discrepancy confirms that the corporate environment is more exposed to cyclical risks and macroeconomic uncertainty factors, while the banking sector maintains a conservative risk profile.

Overall, the results highlight an inverse relationship between the financial stability of banks and the volatility of corporate performance, indicating that the banking system acted as a stabilizing factor during the period under review. Therefore, strengthening sustainable financing channels and maintaining lending discipline

are essential for reducing risk asymmetry between banks and firms and for supporting stable long-term economic growth.

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