

# THE INFLUENCE OF THE SARS-CoV-2 PANDEMIC ON LOANS IN BUCHAREST-ILFOV

## WPŁYW PANDEMII SARS-CoV-2 NA POŻYCZKI W BUCHAREST-ILFOV

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**Abstract:** Recourse to a loan in the case of individuals is an expression of the growing desire to improve their living conditions, and to be able to purchase goods that meet the requirements of today's life. During the pandemic of SARS-CoV-2, there have been other requirements, different from those of the previous period, and loans could be one of the ways to solve the new problems of the population of Bucharest-Ilfov. *The purpose* of this study is to analyze the evolution of loans for the population of Bucharest-Ilfov in the pre-pandemic period and from the beginning of the pandemic and to understand the attitude that credit consumers may have during this period. *The objectives* of the study are to identify how the credited funds were used, in addition to the size of the amounts accessed. The credited amount represents only a dimensional, quantitative component, but what was purchased with the amount accessed through a loan is a qualitative component. The data were provided, without exposing the personal data of those who accessed a loan, by the National Bank, through FGDB. The results provide a clear picture of the increasing trend of the quantitative side, but there is a greater attention between the amounts credited in lei and those in foreign currency. Equally, the purpose for which these funds were accessed was oriented towards the goods of maximum necessity. Of these, real estate occupies a superior position, while the opposite population is loans for tourist services.

**Keywords:** loans, COVID-19 pandemic, real estate

**Streszczenie:** Korzystanie z kredytu w przypadku osób fizycznych jest wyrazem rosnącej chęci poprawy warunków życia oraz możliwości zakupu towarów spełniających potrzeby. Podczas pandemii SARS-CoV-2 istnieją inne wymagania niż w poprzednim okresie, a pożyczki mogą być jednym ze sposobów rozwiązania tych nowych problemów populacji miast. Celem opracowania jest analiza ewolucji kredytów dla populacji Bukareszt-Ilfov w okresie przed pandemią i od początku pandemii, oraz zrozumienie postawy, jaką mogą mieć konsumenci kredytów w tym okresie. Celem badania jest określenie, w jaki sposób wykorzystano kredytowane środki, a także wielkość udostępnionych kwot. Kredytowana kwota stanowi jedynie wymiarowy, ilościowy składnik, ale to, co zostało zakupione za kwotę uzyskaną dzięki pożyczce, jest składnikiem jakościowym. Wyniki zostały przekazane bez ujawniania danych osobowych osób, które uzyskały dostęp do pożyczki przez Narodowy Bank za pośrednictwem FGDB. Wyniki dają wyraźny obraz tendencji wzrostowej po stronie ilościowej, ale większą uwagę zwraca się na kwoty zapisane w lejach i walutach obcych. Podobnie cel, dla którego te fundusze zostały udostępnione, był ukierunkowany na towary najwyższej konieczności. Wśród nich dominującą pozycję zajmują nieruchomości, podczas gdy przeciwna populacja to kredyty na usługi turystyczne.

**Słowa kluczowe:** pożyczki, pandemia COVID-19, nieruchomości

### Introduction

The need to buy a home or consumer goods is often a need expressed through expenses. These expenses may at some point exceed the available budget of a person or family. In these situations, bank loans are used. Banks support the population

by providing loans for personal needs and loans for the purchase of a home. The conditions under which these loans are obtained are not straightforward at all, but they are often influenced and at the same time dependent on the income of those who access bank loans and the possible

guarantees that come in their support, depending on the type of loan. In the conditions in which the incomes are diminished as a result of the dismissals, there are also automatically increases of the arrears at the bank rates (Gadoiu, 2014; Teodorescu et al., 2021). Research in this area highlights solutions for staggering or deferring payments. The current situation, that of 2020, is a special one, under the influence of the pandemic with COVID-19. The situation falls into the category of unforeseen events, thus there are difficult times for many categories of employees, especially in services, including tourism (Grecu et al., 2019). Most of those whose jobs have been affected are young people, many of whom are registered as beneficiaries of bank loans (Dinu et al., 2013; Gadoiu, 2016). The present study presents a situation of the bank credit management capacity accessed both in the period before the pandemic with COVID-19, considered as the degree of indebtedness of the population, and in the six months of 2020, but also the arrears registered in this last period, both in Romania and in each geographical region, including Bucharest-Ilfov. The relationship between unemployment, bank loans and arrears are less visible in the analyzed area, because there is an economic potential of the area that maintains a balanced economic situation. These difficult situations often have the role of increasing the creativity of entrepreneurs, of chasing solutions that lead to the better management of funds, to a calculated marketing and to a viable production of the market (Toma, 2008). Economic growth has favored the emergence of a large number of companies, perhaps not exactly oriented towards efficient management (Burlacu et al. 2019; Dobrea et al., 2013). These difficult situations, such as the one created by the Sars CoV2 or COVID-19 pandemic, represent the efforts on the part of entrepreneurs to adapt to a new market with other requirements and with other results. We find the adaptation of companies in the results offered by the ability of those able to access another loan. Only employees who offer positive income visibility have this quality, and the area under study offers just that, unlike other areas that, unfortunately, have less capacity to adapt to such situations, such as the southern part of the country – localities located in the Danube area (Gadoiuet al., 2018; Rădoi et al., 2018; Teodorescu et al., 2019), or other areas with an economy that is influenced by restrictive activities, such as tourism for Maramures or other areas where the economy is oriented towards service economic activities (Teodorescu et al., 2020; Teodorescu et al., 2021).

## Methodology

From a methodological point of view, the study is based on an analysis of the situation offered by

FGDB, in which are visible the total credits granted to the population from Romania and from the geographical area Bucharest-Ilfov in the period January 1, 2019 - June 30, 2020. Thus, two distinct periods are captured, the pre-pandemic period of 2019 and the beginning of 2020, until March when the first cases of COVID-19 were registered. The period of total quarantine follows, when the reaction of the population towards loans must be analyzed separately and, the last period is that of the first relaxation regarding the pandemic situation, but there are other data that change the attitude or behavior of the population regarding bank loans. perhaps not from a quantitative point of view but rather from a qualitative point of view. From this point of view, methodological analysis periods are established:

- prepandemic period – January 2019 - March 2020
- pandemic onset – March 2020 - May 2020
- the period of easy relaxation regarding the pandemic with COVID-19 – May 2020 - June 2020.

For a clearer understanding of the orientation of the population in the geographical area of Bucharest-Ilfov regarding the bank loans for the entire period under analysis, it is necessary to compare the real estate loans with those of personal needs, from a quantitative point of view. This analysis results in the qualitative visibility of the amounts credited.

## Results

The data provided by the National Bank of Romania for the previously announced period, create the complete picture of a difficult period. At the same time, it is a clear picture of an area that has the economic strength to cope better than other areas with a difficult economic situation. It is not only Rome that is facing such problems, it is a European and world problem.

The results, according to the analysis periods mentioned in the methodology, show that in 2019, especially in the first part of this year, there is a balance in accessing loans in lei and in foreign currency. Starting with July of this year, there is a slight increase in loans in lei compared to those in foreign currency. It is the period in which the credibility of the national currency increases, and the population that receives the salary normally in lei, prefers the loans, regardless of whether they are for personal needs or for the purchase of houses, in lei. The trend of accessing a loan for the geographical area Bucharest - Ilfov is increasing, throughout 2019 (Fig. 1).

For the beginning of 2020, which methodologically includes the period March-May,

there are some evolutionary peculiarities: first of all, it is a relatively constant maintenance of the growth slope of loans in lei; an obvious feature is the reduction of foreign currency loans. The population of Bucharest-Ilfov area prefers loans in national currency. Regarding the growth rate of total loans, for this area, there is a slower pace than in the previous period, but it is positive (Fig. 2).

The increase in the ratio between loans in lei and those in foreign currency is much more evident in the period May-June, the period of slight relaxation during the pandemic period with

COVID-19. Loans in lei increase quantitatively, while those in foreign currency for a long time. It is the period when the population's confidence in the national currency is more than obvious (Fig. 3).

The Bucharest-Ilfov region should not be analyzed only individually; there needs to be a correlation between the general situation in Romania, in each geographical region and the situation of the area under analysis (Fig. 4).



**Figure 1.** Highlighting loans at national and regional level – Bucharest-Ilfov in January 2019 - March 2020 – pre-pandemic period  
Source: authors' processing.



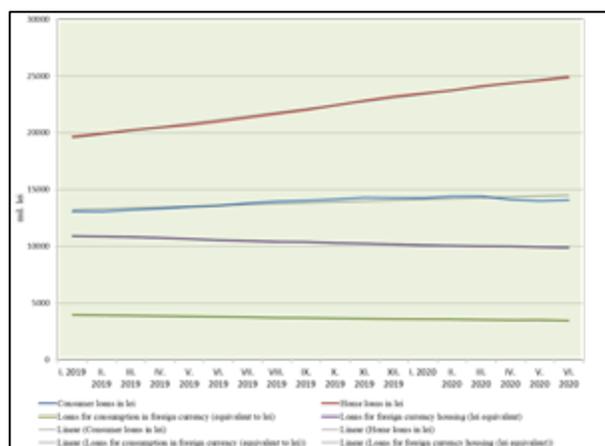
**Figure 2.** The situation of loans in Romania and in the region of Bucharest-Ilfov during the COVID-19 pandemic, March 2020 - May 2020 – quarantined period  
Source: authors' processing.



**Figure 3.** The situation of loans in Romania and in the region of Bucharest-Ilfov during the COVID-19 pandemic, March 2020 - May 2020 – quarantined period  
Source: authors' processing.



**Figure 4.** Romania's geographical position in Europe and the degree of bank indebtedness of the population in each province of Romania during January-June 2020  
Source: authors' processing.



**Figure 5.** The evolution for consumption and housing in lei and foreign currency in Jan. 2019 - June 2020  
Source: authors' processing.

In this situation it can be seen that the degree of credit indebtedness of the population in the Bucharest-Ilfov area is the highest in the country. This is not a negative factor, but on the contrary, it must be understood as a positive fact, offered by the ability of the population to access a loan, i.e. to meet the conditions required by banks. It is a confirmation of the fact that it is an area with a pretty good economic potential, with a relatively low unemployment compared to other areas of the country and with employees in a fairly high number.

Loans for the purchase of a home in lei, is one of the types of loans that are evolving continuously.

The evolution of loans for personal needs is visible, which in 2019 experienced a continuous increase until November, so that from December 2019 the values will be slightly lower. From the data provided through credit cards, for goods

purchased in full or in installments, the largest share is held by home appliances and mobile phones. In 2020, especially in March, the top positions are high-performance phones, tablets and computers of all kinds. After this date, the tendency to apply for a personal loan is slightly decreasing (Fig. 5). For foreign currency loans, converted into lei equivalent, during the analyzed period, the trend is permanently decreasing.

Credit should not be seen as the negative indicator of a need expressed for the population, but on the contrary it is an indicator of economic growth, of increasing the quality of life through the capacity to be able to satisfy certain requirements imposed by a financial standard. From this point of view, the geographical area Bucharest-Ilfov offers the image of a capable consumer.

## Conclusions

The follow-up of accessing bank loans during January 2019-June 2020 highlights a series of economic peculiarities from each of the three periods analyzed in the geographical area of Bucharest-Ilfov and in Romania. There are periods when the accessibility of loans is higher, when the care of the population for accessing a loan is lower. At the same time, the emergence of the COVID-19 pandemic changes the attitude of the population towards the ease of resorting to a loan, especially the one oriented to personal needs but also the one for the purchase of a house if it is not really necessary. Real estate loans are geared towards homes that give them a certain physical and mental comfort. Personal loans are geared towards the acquisition of means of work, objects that offer them greater comfort for the period when many have had to work from home.

The COVID-19 pandemic brought significant changes in the attitude and behavior of the Romanian consumer, including credit consumption. It is the period when personal holiday loans are almost non-existent. This is possible for two reasons: the most important thing is that travel is not possible due to the pandemic; and the second reason is the "care" that Romanians have about spending.

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