

Description for the general public

The purpose of the research is to carry out a comprehensive empirical, economic and institutional analysis and an analysis of social determinants of both household loans and business loans in Poland against the CEE countries (i.a. Czech Republic, Hungary, Slovakia) and the whole EU. In economy there are feedbacks between the real sector and the financial sector; therefore, the project will also analyse the determinants of the results of banks. The comprehensive analysis of the relations, strength of connections between the household sector and the financial sector as well as the non-financial enterprises sector, and the financial sector will be examined by use of panel data analysis techniques. The research will also intend to answer whether there is any asymmetry concerning the loan market determinants between the CEE countries and the EU-15 states.

The Polish financial sector, as most European sectors, is based on banks; therefore, the research mainly focuses on the analysis of the relations of banks with households and non-financial enterprises. The loan is the main banking product which finances the economy. Therefore, the focal point of the project will be the determinants of various bank loans, as well as the determinants of stability of the financial sector because potential problems with servicing bank loans by enterprises and households often underlay systemic crisis.

Two analysis will be carried out to verify the research hypothesis: qualitative and quantitative. The qualitative analysis will allow determining the size, scale and channels of impact and transfer of shocks from the real economy to the financial sector and their feedbacks. On the other hand, the quantitative analysis will enable determination of the impact of such channels on the real economy on the side of consumers as well as non-financial enterprises. Both models in the micro as well as macro scale will be based on panel data consisting of data from banks from the countries of the region, such as: Poland, Hungary, Czech Republic, Slovakia. In the macro scale it analysis the determinants of particular types of bank loans (for household and business) in the EU states and the macroeconomic factors.

The experience of the global financial crisis reinstated the importance of the macroprudential policy to keep economies on the path of sustainable long-term economic growth. Moreover, the global crisis revealed the importance of examination of the links between the financial sector and other elements of economic policy, in particular the links between the financial sector and the real economic sector, and examination of the channels and directions of their inter-dependencies. A very fast increase of loan campaign connected with heave changes of asset prices is the direct reason of financial crisis. Moreover, credit booms cause the banks to concentrate on ever-higher profits ignoring monitoring and adequate risk assessment, which leads to increased non-performing loans and problems of the banking sector. Additionally, the problems with performance of obligations by clients may lead to discontinuance of the credit campaign by financial institutions, which jeopardises the economic development. On the one hand, the structure of the credit market results from the demand of the entities of the real economy zone for various loans, and on the other hand, it is dependent on the supply, namely the capacity and readiness of banks to grant them, resulting from i.a. diversification of profitability, risks and capital requirements for various bank products. It also depends of the demand, including the macroeconomic circumstances. In the case of enterprises it depends on the availability of alternative sources of financing, on their financial situation of enterprises and their ability of internal financing; in the case of households, it depends on their budget limitations (i.a. poverty, financial exclusion) and their preferences. The presented topic is important as currently on the international arena, as well as in Poland, there are works and discussions are in progress concerning securing the stability of the banking sector, macroprudential policy and possibilities of conduct in case of another banking crisis.