



## **REVIEW OF THE BANK LENDING SURVEY AND THE SURVEY OF NON-FINANCIAL ENTERPRISES ON BUSINESS FINANCING**

**APRIL 2011**

### **SUMMARY OF SURVEY RESULTS**

- In the current half of the year, banks eased their lending conditions for the first time since 2006. The largest impact on lending conditions was made by reduced interest rate margins, administrative charges, constraints on the size of loans and credit lines and on the loan to value ratio;
- Improving macroeconomic expectations and a stronger competition in the credit market were the main factors behind the easing of bank lending policy. However, a faster easing of lending conditions was restricted by the remaining risk of individual business sectors (real estate, construction, hotels and restaurants);
- There is a gap between the demand for borrowing, as forecasted by banks and by enterprises; the banks expect a robust growth of demand, while enterprises intend to finance the major share of their business expenses using internal financial resources;
- In 2010, the requests for borrowing were fully satisfied for almost a half of enterprises. The main reasons for incomplete satisfaction were a poor assessment of the financial situation of the enterprise, an excessive level of enterprise indebtedness and persisting macroeconomic risk;
- For the second consecutive six-month period, the increase in borrowing demand was mostly determined by improving housing market prospects, increasing consumer confidence and the growing need of enterprises to finance inventories, working capital and capital investment;
- In the coming six months (until October 2011), the majority of banks plan to gradually ease their lending conditions and expect a relatively rapid growth of the demand for borrowing. According to the survey results, this year the gross value<sup>1</sup> of the loan portfolio should expand by 4-5%;
- Slightly more than a half of respondents (53%) forecast that in the coming 12 months real estate prices will not change, the other part of banks indicated that the price will increase by up to 10 per cent, whereas 61 per cent of the survey participants were of the opinion that the stagnation in Lithuania's real estate market should end by early 2012;
- A demanding bank lending policy is not an essential factor constraining enterprise activities. The shortage of customers was the main constraint of enterprise activities in 2010, whereas in the first half of 2011 growing production costs and the shortage of suitable staff raised the highest concern for enterprises.

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<sup>1</sup> Loan portfolio before loan impairment.



## I. Tasks, Methods and Principles of the Surveys

Lending surveys of commercial banks and foreign bank branches and surveys of non-financial enterprises on business financing are organised twice a year in order to obtain information on non-interest bearing terms and conditions of loans, lending costs and market expectations, as well as to assess the demand of non-financial enterprises for financial resources, changes in the borrowing from credit institutions and changes in lending conditions. This year, the survey of non-financial enterprises was conducted for the first time. The surveys of banks and non-financial enterprises were conducted in February–April 2011. Respondents were 8 commercial banks and 4 foreign bank branches (hereinafter referred to as "banks") and 500 enterprises operating in Lithuania.

The holders of management positions in banks were requested to indicate changes of lending conditions to households and non-financial enterprises over the period from end-October 2010 to end-April 2011. In their responses regarding the likely situation in the future, the respondents were requested to assess potential changes of lending conditions during the coming six months (April – October 2011). This Bank Lending Survey presents a summarised opinion of the holders of management positions in banks, which does not necessarily reflect official views and assessments of banks, the Bank of Lithuania or its staff members. When making general conclusions and calculating the percentage of banks that have chosen a particular version of given answers, responses of individual banks were given the same weight regardless of their market share.

During the survey of non-financial enterprises on business financing ordered by the Bank of Lithuania, managers or financiers of enterprises grouped by quotas of the economic activity and the location of registration (taking into consideration the value added created) were interviewed by telephone (CATI).

*Table 1. Number of non-financial enterprises by economic activity and the location of registration*

District	Industry	Construction	Trade	Services	Total
Alytus	2	1	6	10	19
Kaunas	9	13	27	53	102
Klaipėda	5	6	15	36	62
Marijampolė	3	1	4	10	18
Panevėžys	4	2	10	20	36
Šiauliai	5	3	9	22	39
Tauragė	1	1	3	7	12
Telšiai	2	2	6	9	19
Utena	2	1	4	9	16
Vilnius	14	16	49	98	177
Total	47	46	133	274	500

The Survey questions were grouped into four groups: Group 1 – demographic aspects and development of the main financial indicators of a non-financial corporation, Group 2 – business financing and its sources, Group 3 – borrowing from credit institutions, and Group 4 – relations between enterprises and creditors. When interpreting the survey results, it is necessary to take into consideration a possibility of the statistical discrepancy, which is always possible when performing selective quantitative research.



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**LENDING SURVEY, APRIL 2011**

*A net percentage is defined as the difference between the share of banks reporting that lending conditions have been tightened (demand increased) and the share of banks reporting that lending conditions have been eased (demand decreased).* Positive or negative differentials mean that the majority of banks raised or lowered crediting standards respectively. Analogically, the net percentage is similarly interpreted in the evaluation of changes in demand: a positive net percentage means an increase in demand, and vice versa.

The term "tightened" represents the percentage difference of the banks that tightened their lending.



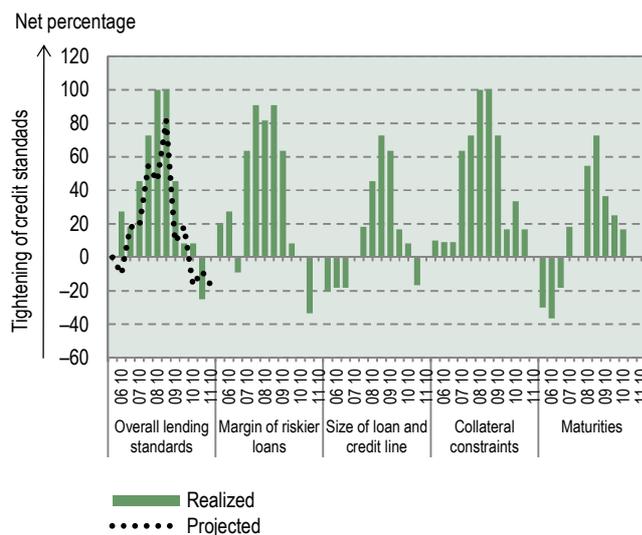
## II. Bank Lending Survey

### II.1. Summary of results of the Bank Lending Survey

**Loan supply for enterprises.** The Survey results show that in the current half of the year banks eased general lending conditions applied to enterprises for the first time since the beginning of 2006. Lending conditions became more favourable both to small and medium-sized enterprises and to large enterprises. Credit standards applied to the latter eased for the second consecutive six-month period. In the current half of the year, banks slightly eased lending conditions for short-term loans, whereas lending conditions of long-term loans remained unchanged. More favourable lending conditions were mostly driven by lower interest margins on average and riskier loans and smaller lending-related administrative charges, as well as lower restrictions on the size of the loan or credit line. The main factors determining the easing of the bank lending policy were improving expectations about operating prospects of enterprises, growing competition of banks and other non-bank institutions in the lending market and lower collateral risk. However, faster easing of lending conditions was restricted by the fact that operational risk of certain business sectors (real estate, construction, hotels and restaurants) did not decline, attempt of banks to maintain good liquidity situation and financing restrictions. In the coming six months (until October 2011), the majority of banks plan to ease lending conditions for enterprises slightly (see Chart 1).

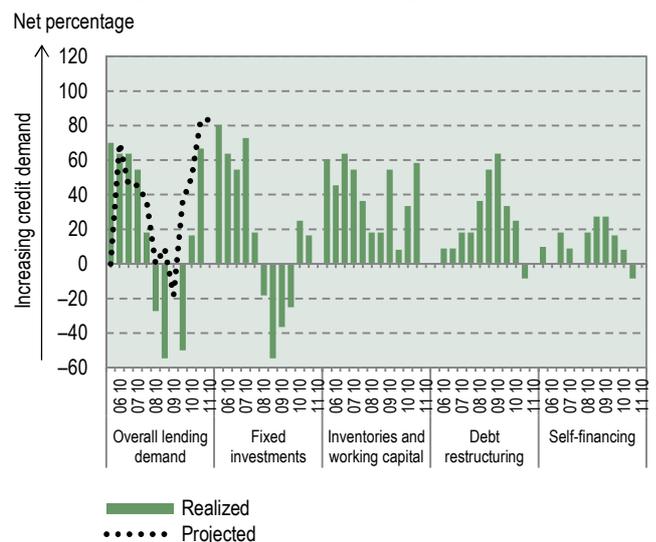
**Enterprises' borrowing demand.** The Survey respondents stated that the demand for borrowing by enterprises increased for the second consecutive six-month period. It was mostly determined by the growing need to finance the acquisition of reserves and working capital, as well as the growing need of capital investment. Corporate borrowing need was reduced by the improving capabilities to finance operation by internal financial resources and the declining need of debt restructuring. In the coming six months, the majority of banks expect that the demand for borrowing by enterprises will continue to increase (see Chart 2).

Chart 1. Changes in the supply of loans to enterprises



Source: Bank Lending Survey and Bank of Lithuania calculations.

Chart 2. Changes of enterprises' borrowing demand



Source: Bank Lending Survey and Bank of Lithuania calculations.

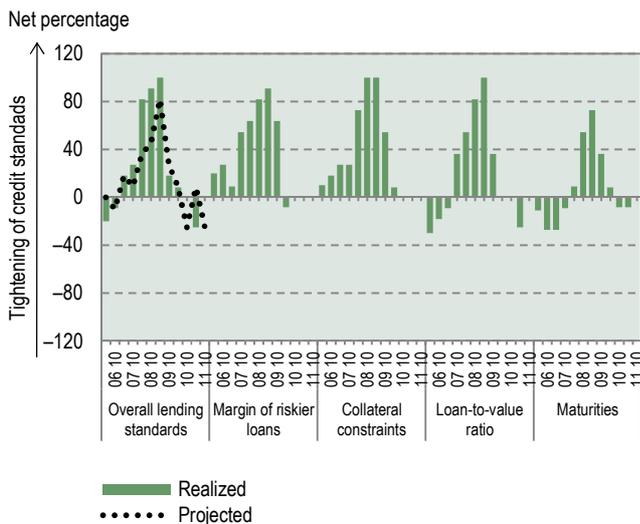
Note: The net percentage in Chart 1 is defined as the difference between the percentage for "tightened considerably" and "tightened somewhat", and the percentage for "eased somewhat" and "eased considerably". The net percentage in Chart 2 is defined as the difference between the percentage for "increased considerably" and "increased somewhat", and the percentage for "decreased somewhat" and "decreased considerably".



**Loan supply for house purchase.** According to the Survey results, in the current half of the year banks also eased general lending conditions applied to loans for house purchase for the first time since the beginning of 2006. Banks eased the requirements for the loan to value ratio and maturity of the loan and reduced interest margins on average risk loans. However, in the current six-month period banks slightly raised lending-related administrative charges. The main factors that determined a more favourable bank lending policy were more optimistic housing market prospects, improving general macroeconomic expectations and growing competition in the lending market. Faster easing of lending conditions was restricted by the growth of the price of banks' financing resources and other balance sheet constraints. In the coming six months (until October 2011), the majority of banks plan to further ease conditions for loans for house purchase moderately (see Chart 3).

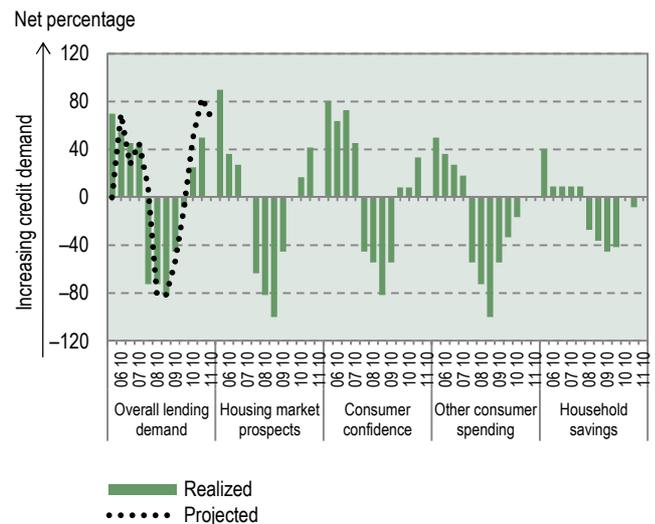
**Demand for loans for house purchase.** The survey results show that the demand for loans for house purchase by households, same as the demand by enterprises, increased more rapidly for the second consecutive six-month period. More intense demand for loans for house purchase was mostly determined by the improvement in housing market prospects and the growth of consumer confidence. The demand for borrowing was reduced by household savings used for house purchase. In the coming six months, the majority of banks expect that the demand for loans for house purchase by households will continue to increase (see Chart 4).

Chart 3. Changes in the supply for loans for house purchase



Source: Bank Lending Survey and Bank of Lithuania calculations.

Chart 4. Changes in the demand for loans for house purchase



Source: Bank Lending Survey and Bank of Lithuania calculations

Note: The net percentage in Chart 3 is defined as the difference between the percentage for "tightened considerably" and "tightened somewhat", and the percentage for "eased somewhat" and "eased considerably". The net percentage in Chart 4 is defined as the difference between the percentage for "increased considerably" and "increased somewhat", and the percentage for "decreased somewhat" and "decreased considerably".

## II.2. Overview of ad hoc questions of the Bank Lending Survey

During each Bank Lending Survey, the Bank of Lithuania makes a list of additional questions. These questions are provided to obtain more comprehensive information on financing conditions applied by banks and to identify the factors that may have an impact on the changes of lending conditions in the future. The Bank Lending Survey of April 2011 continued to focus on the analysis of the financial situation of enterprises in the key sectors of the domestic economy and households. In addition, some additional questions were asked to assess the situation in the domestic real estate market and to present the forecasts of the loan portfolio developments.

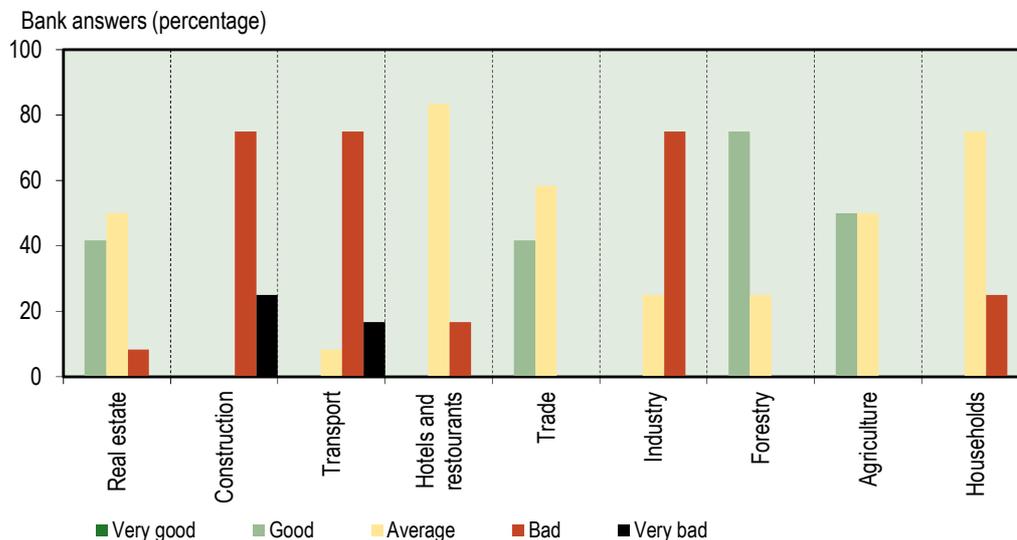


**Assessment and Dynamics of the Financial Situation of Enterprises and Households**

The banks that participated in the survey were requested to assess the financial situation of enterprises in the key sectors of the domestic economy and households, and its dynamics. The following major types of economic activity were selected for the survey: industry, real estate, construction, trade, transport, hotels and restaurants, agriculture and forestry, and households.

**Financial condition.** The assessment of the financial condition of households and enterprises in the key economic activities submitted by banks participating in the survey was slightly better than that submitted in the previous survey. Similar to the previous survey, the best assessment of all economic activities was given to agriculture and forestry. Assessment of the situation in the real estate and construction sector, as well as hotels and restaurants sector, was the most cautious one. It should be noted that in this survey the financial situation of transport enterprises was assessed more favourably, compared to the previous survey.

Chart 5. Assessment of the financial situation of enterprises in various economic sectors and households

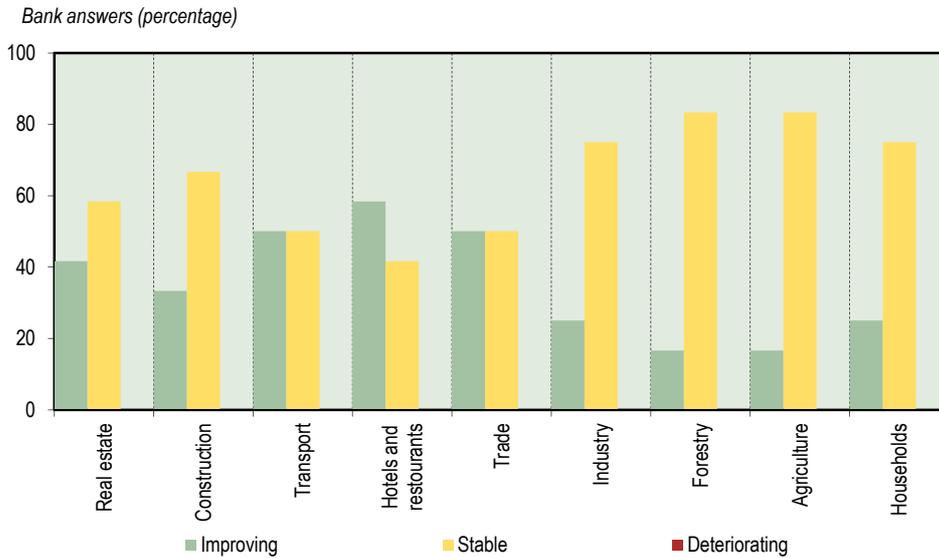


Source: Bank Lending Survey, April 2011

**Prospects of the financial situation.** In the course of this survey, all banks forecasted that the financial situation of enterprises in all key economic activities will improve or remain unchanged in the coming six months. The future prospects of trade, transport, construction and manufacturing enterprises were assessed most favourably. During this six-month period, compared to the previous six-month period, the banks gave a slightly better assessment of the future development in the financial situation of households (see Chart 6).



Chart 6. Assessment of the prospects of the financial situation of enterprises and households

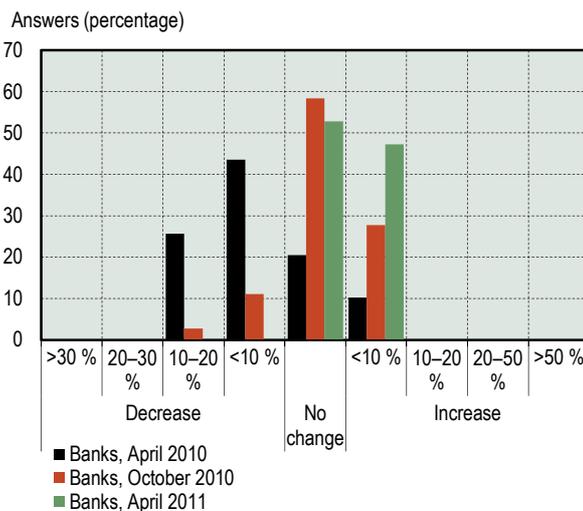


Source: Bank Lending Survey, April 2011

**Prospects of the Domestic Real Estate Market**

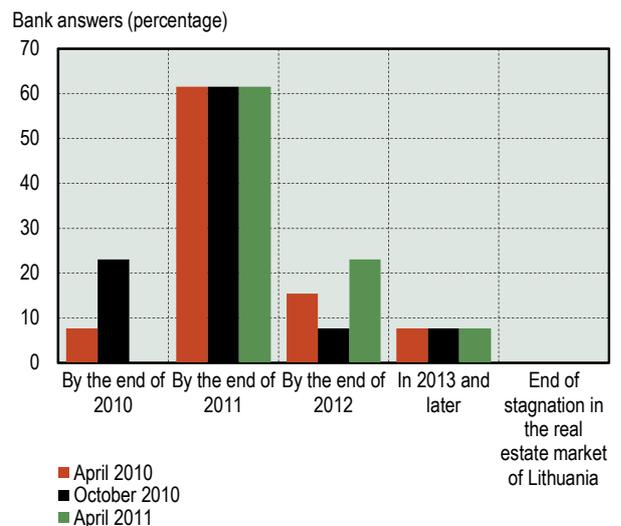
**Expectations of real estate price changes.** Slightly more than a half (53%) of the banks that participated in the survey expected that real estate prices will not change significantly in the next twelve months, although the other part of banks indicated that the price will increase by up to 10 per cent (see Chart 7). Compared to the results of the October 2010 survey, banks assessed the real estate market prospects more optimistically. More than a half of all banks (61%) believe that the stagnation in the Lithuanian real estate market should end by late 2011. Compared to the results of the previous survey, the number of respondents that expected the end of the stagnation at the end of 2012 increased slightly (see Chart 7).

Chart 7. Expectations of real estate price changes in the coming 12 months



Sources: Bank lending surveys conducted on behalf of the Bank of Lithuania.

Chart 8. Expectations of the stagnation duration in the real estate market of Lithuania



Source: Bank lending surveys conducted on behalf of the Bank of Lithuania.



***Lending Conditions and the Loan Portfolio Development***

**Granting of loans.** The majority of respondent banks indicated that in the last six months lending to real estate, construction and hotels and restaurants was the most cautious one. As the main reason for such caution, the majority of banks indicated the outlook uncertainty of these economic activities. Like in the previous survey, the banks stated that they did not apply any additional restrictions on financing other economic activities. They indicated that, when granting a loan for house purchase to an average risk customer in the second half of 2010, the maximum loan to value ratio applied was from 70 to 80 per cent, which is in compliance with the good practice of bank risk assessment. This year, some banks plan to increase this limit to 90 per cent.

**Loan portfolio change in 2011 and 2012.** When summarising the survey results, it should be noted that the total value of the loan portfolio should increase by 4–5 per cent this year. The majority (67%) of the surveyed banks indicated that the size of the loan portfolio will be larger than in the beginning of the year. According to banks, more active lending for enterprises should have the largest impact on the portfolio growth. When assessing the dynamics of the loan portfolio in 2012, the respondents expected that the loan portfolio will grow faster than this year. This should be driven mainly by the increase in the portfolio of loans to private enterprises. Loans for house purchase and loans to individuals will also have a positive (but slightly smaller) impact on the overall growth of the loan portfolio in 2012.



### III. Survey of Non-Financial Enterprises on Business Financing

#### III.1. Summary of survey results

**Expansion and demand for borrowing.** The survey results show that the majority of business-related financial needs are satisfied by non-financial enterprises from internal financing sources and they do not intend to change the business financing structure substantially in the future, whereas in the first half of 2011 those enterprises that planned to do it intend to use bank loans more actively. More than a fourth of respondents are planning to expand their businesses during the said period; however, the demand for external financing sources will increase insignificantly because of that, since two thirds of enterprises will finance business expansion using internal financial sources.

**Cooperation with credit institutions.** Less than a third of the surveyed non-financial enterprises used the services provided by credit institutions in 2010, i.e. they borrowed monetary resources for their business needs (loans and leasing were the most popular services). The requests of almost a half of all enterprises that applied to credit institutions for borrowing and/or changing the terms of the current agreements related to liabilities over the last year were satisfied fully, whereas one-fifth of the requests were denied. The main reasons they were not fully satisfied were a poor assessment of the financial situation of an enterprise, the overall economic environment and the existing liabilities of an enterprise. According to the results of the survey, the demand for the services provided by credit institutions will change insignificantly in the first half of 2011, since two-thirds of non-financial enterprises will not have a need to borrow or it will decline. It should be noted that, when asked to indicate the most important business problems faced in 2010 and in the first half of 2011, the survey respondents indicated the shortage of financing sources as one of the difficulties that had the lowest impact (see Chart 10).

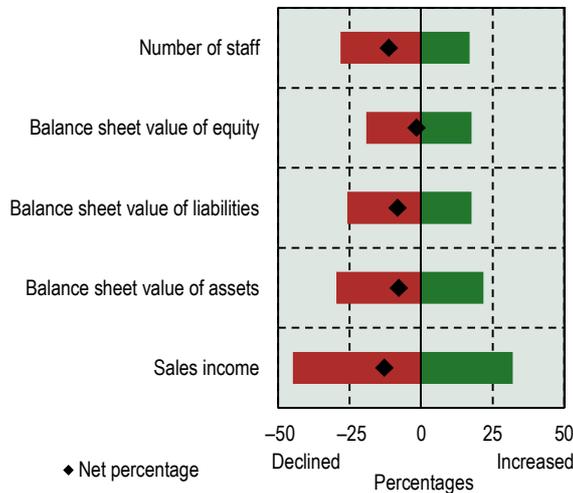
**Changes of lending conditions.** A larger part of non-financial enterprises stated that in 2010 credit institutions applied lower interest rates than in 2009 (the lowest interest rates for the assumed financial liabilities were paid by industrial enterprises). On the other hand, banks applied tighter collateral requirements to enterprises last year, compared to 2009.

#### III.2. Demographic characteristics and business trends of non-financial enterprises

The largest part of respondents in terms of the number of staff employed consists of small and medium size enterprises (up to 250 employees) with the average period of operation at the time of the survey of approximately 12 years. In 2010, compared to 2009, the part of the surveyed enterprises that declared lower sales income was larger than that of the enterprises that indicated increased income. Moreover, the part of respondents that decreased the number of staff was larger by 11.2 percentage points than the part of those that increased it. The share of the enterprises that earned profit during the said period increased, whereas better final performance results were indicated by enterprises oriented towards exports (according to the survey data, the sales of enterprises to foreign markets made up 12.4%). The largest difficulties faced by enterprises in 2010 were the shortage of customers, increase in the tax burden and competition. The shortage of staff, the current legal and/or administrative requirements and the decline in financing sources made the lowest negative impact on the operation of enterprises during the said period. The surveyed enterprises expect that higher production costs, competition and the tax burden will be the largest difficulties faced by enterprises in the first half of 2011, whereas the threat posed by the decline in financing sources, the shortage of customers and indebtedness of business partners will be small.

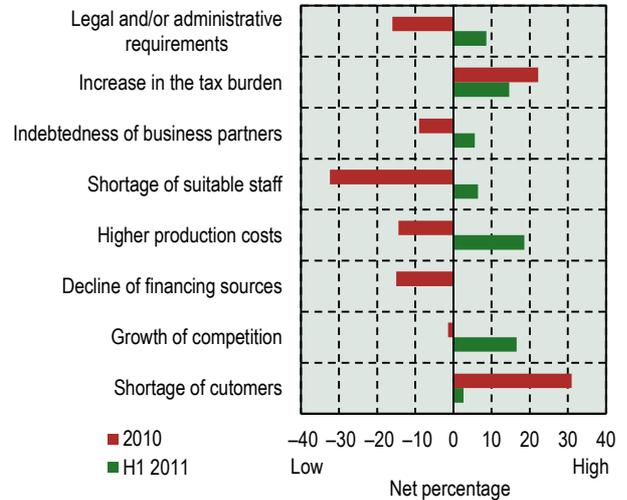


Chart 9. Changes of the main financial indicators and the number of staff of non-financial enterprises in 2010, compared to 2009



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

Chart 10. Significance of difficulties faced by non-financial enterprises in 2010 and their changes in the first half of 2011



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

According to the survey data, in 2010, compared to 2009, the decline in the sales income in construction and services economic activities was the largest. The decline in the number of staff during this period was the largest in construction and industry. The survey data show that in 2009 the largest share (63.0%) of the enterprises that operated profitably was in the construction activity, whereas in 2010 the share of the enterprises that operated profitably in this business went down by one-tenth, while the share of the enterprises that operated profitably in other economic activities (industry in particular) increased. Better performance results of industrial enterprises may be related to the growth of exports, since 23.0% of the sales income consists of the income received from foreign markets (the largest percentage, compared to other economic activities).

Difficulties that were encountered by enterprises in individual economic activities in 2010 and that will have a significant impact on their operation in the first half of 2011 were different. Industrial enterprises were mostly concerned about the increase in the tax burden in 2010, whereas the least significant difficulty faced by these enterprises was the decline in financing sources. This difficulty will also raise the lowest concern of industrial enterprises in the first half of 2011, whereas they will be most concerned about higher production costs. The enterprises in construction, trade and services economic activities were mostly concerned about the shortage of customers, whereas the least significant problem for them was the shortage of suitable staff. However, in the first half of 2011 the difficulties that will have the largest impact on the enterprises in the said sectors are different. The shortage of suitable staff, higher production costs and competition will be the largest difficulties, whereas the shortage of customers, the shortage of suitable staff and the decline in financing sources will be the smallest difficulties faced by the enterprises in construction, trade and services economic activities

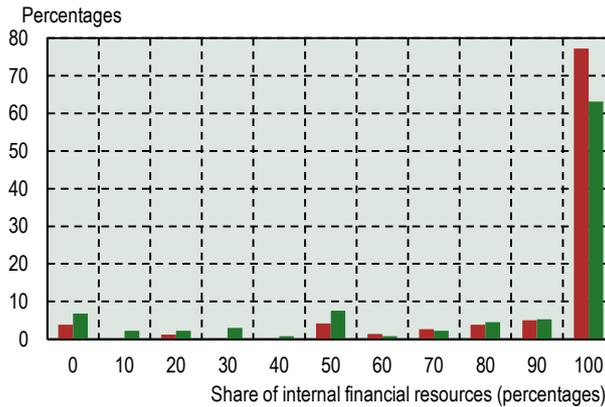
### III.3. Business financing of non-financial enterprises and its sources

Three-fourths of the surveyed non-financial enterprises satisfied all business financing needs from internal financing sources in 2010, whereas 3.8% per cent of respondents financed their business by attracting only external financing sources. According to the survey data, one-tenth of business financing needs during the said period were satisfied using external financing sources. The most popular of these were financial leasing, operating lease and factoring (used by 19.0% of the



surveyed enterprises), bank loans (16.8%), account overdrafts and credit lines (13.8%). Only a small share of the enterprises (23 out of 500 surveyed) intend to change business financing sources in the first half of 2011, whereas the largest part of these will start borrowing or increase borrowing from banks. More than one-fourth of the surveyed non-financial enterprises optimistically plan their activity for the said period and intend to expand their business. One-fifth of the planned business expansion will be financed by respondents using external financing sources, which is twice higher than in 2010.

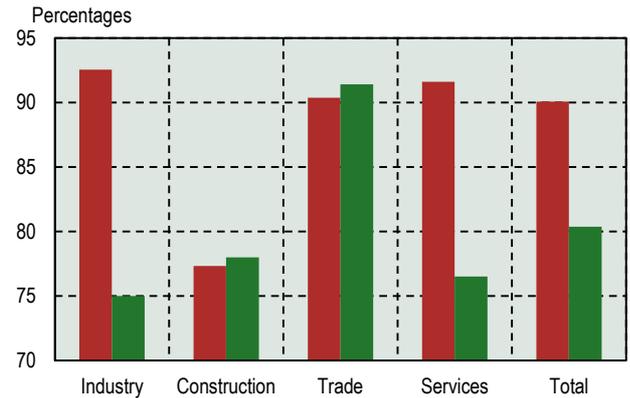
*Chart 11. Breakdown of enterprises by business financing structure*



- Breakdown of enterprises by the source of satisfying business financing needs in 2010
- Breakdown of enterprises planning business expansion by the source of satisfying business financing needs in the first half of 2011

Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

*Chart 12. Share of business financing needs satisfied from internal financing resources*



- Share of business financing needs satisfied by internal financing resources in 2010
- Share of financing needs of enterprises that plan business expansion in the first half of 2011 satisfied from internal sources

Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

In 2010, the enterprises in construction activity had the largest share of business financing needs satisfied from external financing sources (22.7%), whereas the enterprises in other economic activities satisfied more than 90 per cent of their business financing needs using internal sources. The most popular business financing sources among all surveyed enterprises were financial leasing, operating lease, factoring and bank loans, whereas industrial and trade enterprises stood out, compared to the enterprises in other economic activities, by their relatively active utilisation of the European Union funds. Compared to the enterprises in other economic activities, construction enterprises intend to change their business financing sources most significantly in the first half of 2011. They will borrow from banks more actively. Almost a half of industrial enterprises plan business expansion during the said period; one-fourth of it will be financed by attracting external financing sources. The enterprises in construction, trade and services economic activities are more pessimistic; one-fourth of them plan business expansion in the first half of 2011 and intend to finance it more actively by attracting external funds (with the exception of trade enterprises).

### III.4. Assessment of borrowing from credit institutions

The share of the surveyed enterprises, which indicated that they did not cooperate with credit institutions<sup>2</sup>, did not intend to use and did not use the services provided by them in 2010, made up 71.2 per cent. Almost three-fourths of enterprises, which used the services provided by credit institutions, had secured their liabilities to credit institutions by collateral or guarantees. The

<sup>2</sup> Credit institutions in this survey consist of commercial banks, credit unions, leasing companies, other investment undertakings, from which non-financial enterprises borrow monetary resources, which should be later repaid, for their business needs.

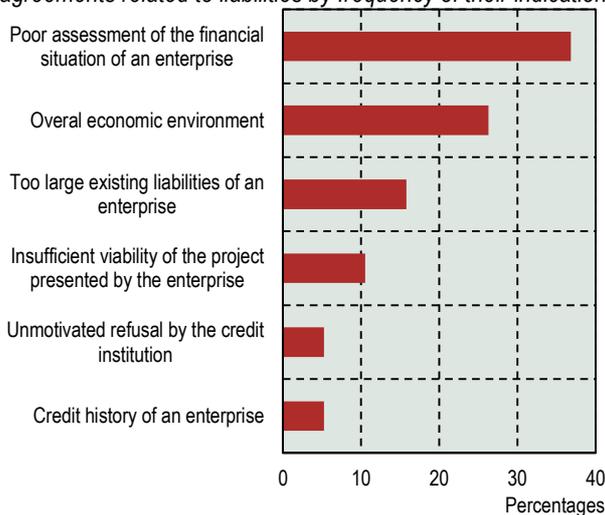


surveyed non-financial enterprises paid the annual interest of 6.2 per cent on average in 2010 for the last assumed financial liabilities to credit institutions. For most of them, these interest rates were lower than a year ago.

In 2010, compared to 2009, 13.9 per cent of the enterprises that cooperated with credit institutions did not have the need to borrow. During the said period, the need to borrow from credit institutions of 81.6 per cent of the enterprises declined, remained unchanged or increased, whereas 37.9 per cent of these applied to credit institutions for borrowing and/or changing the terms of the current agreements related to liabilities. Out of 47 enterprises that applied to credit institutions, the requests of 23 enterprises were satisfied and the whole amount requested was credited, whereas 9 requests were denied. The most significant influence on the incomplete satisfaction of requests or their denial was made by a poor assessment of the financial situation of an enterprise, the overall economic environment and/or too large existing liabilities of an enterprise. About one-third of the enterprises that applied to credit institutions for borrowing and/or changing the terms of the current agreements related to liabilities indicated that the possibilities to ease the terms of agreements were limited or non-existent, and only a small share of them (14.0%) indicated larger easing possibilities. Moreover, only a small share of the enterprises that applied to credit institutions (12.8%) declared higher possibilities for new borrowing, whereas the requirements related to the collateral to credit institutions were most often indicated as an obstacle to obtain new financing.

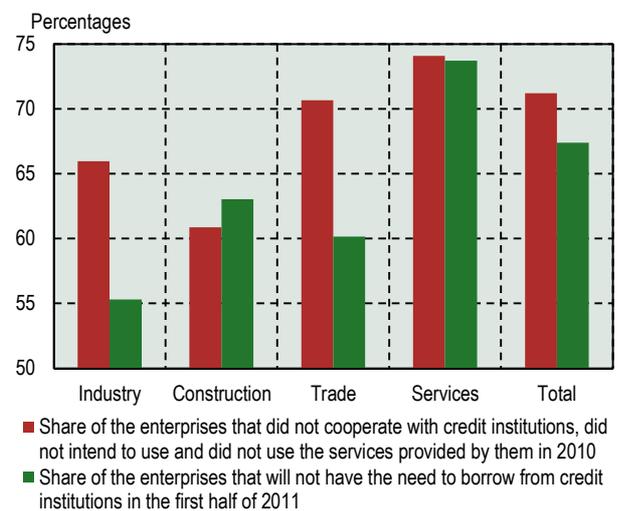
Non-financial enterprises indicating that they will not have the need to borrow from credit institutions in the first half of 2011 made up 67.4 per cent of all surveyed non-financial institutions, whereas 2.4 per cent of them indicated that the need to borrow will decrease, 22.2 per cent indicated that it will remain unchanged and 8.0 per cent indicated that the need will increase. Non-financial enterprises plan to use the borrowed funds mostly for the acquisition of equipment, commodities and materials.

*Chart 13. Reasons for unsatisfied or incompletely satisfied requests for borrowing and/or changing the terms of the current agreements related to liabilities by frequency of their indication*



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

*Chart 14. Use of credit institution services by non-financial enterprises*



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

Trade and services enterprises cooperated with credit institutions and borrowed financial resources for their business needs most passively, whereas industrial and construction enterprises did that more actively. Industrial and trade enterprises more actively used short-term and long-term loans; their share of liabilities secured by collateral (guarantees) was larger than that of construction and services enterprises. The latter preferred leasing. Lower than average annual interest rate for the last assumed liabilities to credit institutions was paid in 2010 by industrial and services enterprises (4.8% and 6.1%, respectively), whereas the borrowing of trade and construction enterprises was more expensive (6.6% and 7.6%, respectively), although the



interest rates for the latter declined the most over 2010. The survey results showed that services enterprises were most sensitive to interest rate changes, as 7.5 per cent of the costs of these enterprises on average consisted of the interest paid for their existing liabilities to credit institutions (this share made up 4.3% in industrial enterprises).

In 2010, compared to 2009, almost one-third of industrial enterprises that cooperated with credit institutions did not have the need to borrow, almost the same number of construction enterprises indicated a lower need to borrow, whereas in services enterprises this need increased the most. The share of requests satisfied by credit institutions was the largest for industrial enterprises, slightly lower for services and construction enterprises, whereas the lowest share of satisfied requests was for trade enterprises due to a poor assessment of their financial situation. The majority of the surveyed non-financial enterprises indicated that the possibilities of new borrowing and/or easing the terms of existing liabilities remained unchanged or declined, whereas trade enterprises assessed the said possibilities most poorly.

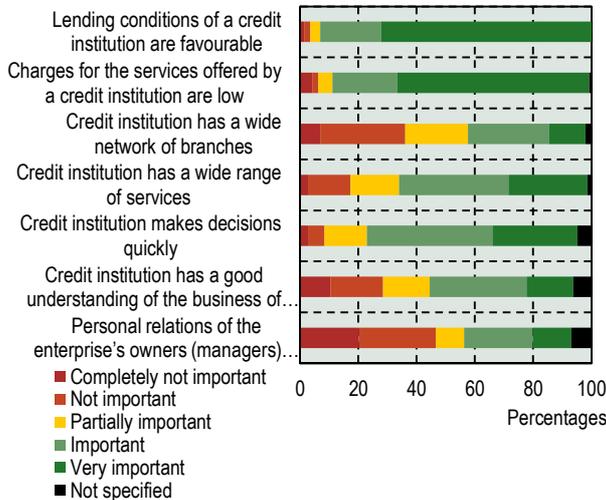
In the first half of 2011, the need of industrial and trade enterprises to borrow from credit institutions will increase the most, whereas almost three-fourths of services enterprises will not have such need. Industrial and construction enterprises will mostly attempt to obtain long-term loans, trade enterprises will seek short-term loans, whereas services enterprises will try to borrow for the period no longer than one year and to use leasing services. Industrial and services enterprises will mostly use the financial resources received from credit institutions for the repair and acquisition of equipment, machinery and vehicles, whereas trade enterprises will mostly acquire commodities and materials for resale.

### **III.5. Relations between enterprises and creditors**

Non-financial enterprises aim at maintaining long-term relations with creditors. In 2010, compared to 2009, the number of credit institutions, with which non-financial enterprises cooperated, remained basically unchanged. The most important factors that made a significant influence on enterprises in their selection of a specific credit institution in 2010 were favourable lending conditions offered by the latter, low charges for the services provided and the capability of credit institutions to make decisions quickly. Personal relations of the owners (managers) of enterprises with the credit institution were the least important factor. According to the surveyed business representatives, the most important factors that may be significant when a credit institution makes a decision to lend are the capability of an enterprise to cover debt, the current level of indebtedness of the enterprise and enterprise profitability. The least important factors when lending to an enterprise were its size (market share) and external assessment (for example, the assigned rating).

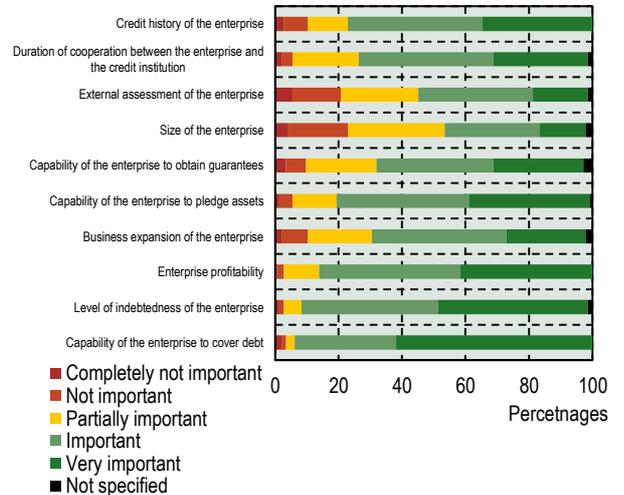


Chart 15. Importance of factors in the selection of a credit institution by non-financial enterprises



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

Chart 16. Importance of factors in the credit institution's decision-making regarding borrowing and/or the change of the terms of existing liabilities



Sources: Survey of non-financial enterprises on business financing ordered by the Bank of Lithuania and Bank of Lithuania calculations.

In 2010, compared to 2009, the number of credit institutions, with which the enterprises in industrial and trade activities cooperated, remained almost unchanged, whereas construction enterprises reduced the number of banks and leasing companies, with which they cooperated, and services enterprises increased it. The factors determining the decisions of non-financial enterprises on cooperation with credit institutions are similar for enterprises in different economic activities (see Chart 15), but for construction enterprises a wide range of services provided by a credit institution is very important. According to the assessments of the enterprises in individual economic activities, the factors that are important when a credit institution makes a decision on lending are the same (see Chart 16), but construction enterprises additionally distinguished the increase in the sales income.

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