

LENDING INDEX PRESENTATION  
EXPERT DISCUSSION

# THE FUTURE OF STUDENT AND STUDY LOANS IN LATVIA: CHALLENGES AND POSSIBLE SOLUTIONS



Latvijas Tirdzniecības  
un rūpniecības  
kamera



Latvijas  
**Studentu**  
apvienība

**FINANŠU  
NOZARES  
ASOCIĀCIJA** 

# LENDING INDEX

PRIVATE CUSTOMER  
SEGMENT

## COORDINATOR



### KĀRLIS DANĒVIČS

Co-chairman of the Finance  
Latvia Association's Lending  
committee,  
Member of the SEB banka  
Management Board

## EVENT PROGRAMME

FINANŠU  
NOZARES  
ASOCIĀCIJA

- Methodology and results of the **Lending Index** in the private customer segment
- Expert discussion:** "The future of the student and study loan system in Latvia: challenges and possible solutions"
- Q&A Session**

## **AINARS BALCERS**

Co-chairman of the Finance Latvia  
Association's Lending committee,  
Head of Mortgage Support Department,  
Baltic, Swedbank



## **LENDING INDEX FOR PRIVATE CUSTOMER SEGMENT**

# DEVELOPMENT METHODOLOGY OF THE LENDING INDEX



# DEVELOPMENT METHODOLOGY OF THE LENDING INDEX FOR PRIVATE CUSTOMER SEGMENT



## Commercial banks' ability to provide credit

- Ratio of loans and deposits in the commercial banking sector
- Amount of unrestricted funds in the commercial banking sector
- Volume of assets in the commercial banking sector
- Percentage of late payments by borrowers



## Commercial banks' willingness to provide credit

- Stringency of credit conditions
- Commercial banks' willingness to take risk
- Percentage of loans refused by commercial banks
- The shadow economy share in Latvia



## Borrowers' willingness to borrow

- Share of the population planning to borrow in the next 6 months
- Actual demand for loans
- EU Economic Sentiment Index



## Borrowers' ability to borrow

- Unemployment rate
- Gross domestic product of Latvia
- Average monthly income of Latvia's residents

# LENDING INDEX FOR PRIVATE CUSTOMER SEGMENT



The Finance Latvia Association Credit Index is a complex measurement, which characterizes an individual's ability and willingness to borrow, as well as the banking sector's ability and willingness to lend.

# THE LEVEL OF BANKS' ABILITY TO CREDIT



- Structural changes in the banking sector
- The process of changing business strategies in certain banks
- An overall decrease in the amount of assets in banks

Ratio of loans and deposits in the commercial banking sector

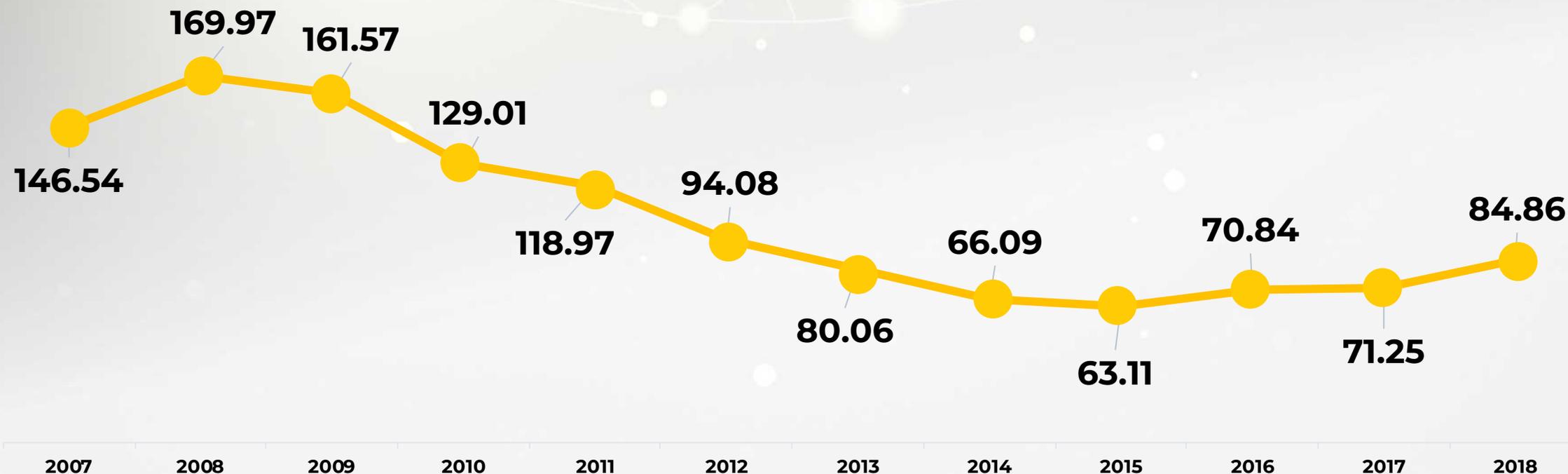
Amount of unrestricted funds in the commercial banking sector

Volume of assets in the commercial banking sector

Percentage of late payments by borrowers

# THE LEVEL OF BANKS' ABILITY TO CREDIT REMAINS HIGH

FINANŠU  
NOZARES  
ASOCIĀCIJA



Source: FKTK data (2018)

# THE BANKS' WILLINGNESS TO CREDIT

FINANŠU  
NOZARES  
ASOCIĀCIJA



- Credit terms and conditions for individuals have not changed significantly
- Last year, willingness to risk has remained at the level of previous years
- The share of credit refusals has not changed significantly (due to the shadow economy and negative credit history)

Stringency of credit conditions

Commercial banks' willingness to take risk

Percentage of loans refused by commercial banks

The shadow economy share in Latvia

# INDIVIDUALS' WILLINGNESS TO BORROW

FINANŠU  
NOZARES  
ASOCIĀCIJA



- An increase in the number of individuals planning to borrow in the next 6 months<sup>1</sup> (+2,3%)
- The demand for loans has grown
- The EU Economic Sentiment Index has dropped

The share of the population planning to borrow in the next 6 months

Actual demand for loans

EU Economic Sentiment Index

1. Source: SKDS Population Survey (2019)

# ABILITY OF INDIVIDUALS TO BORROW

FINANŠU  
NOZARES  
ASOCIĀCIJA



- The unemployment rate has decreased by 1.2%
- Annual GDP has increased by 4.8%
- The average income has grown from 927 to 1004 €

National unemployment rate

Gross domestic product of Latvia

Average monthly income of Latvia's residents

Source: CSB data (2019)

## KEY FINDINGS

The banking sector has seen certain structural changes, which have also, to some extent, affected lending. At the same time, the banks' desire and capacity to lend have both remained high.

In 2018, the Lending Index in the private customer segment continued its climb, encouraged by the economic growth (GDP and average income), as well as by relatively low unemployment rates.

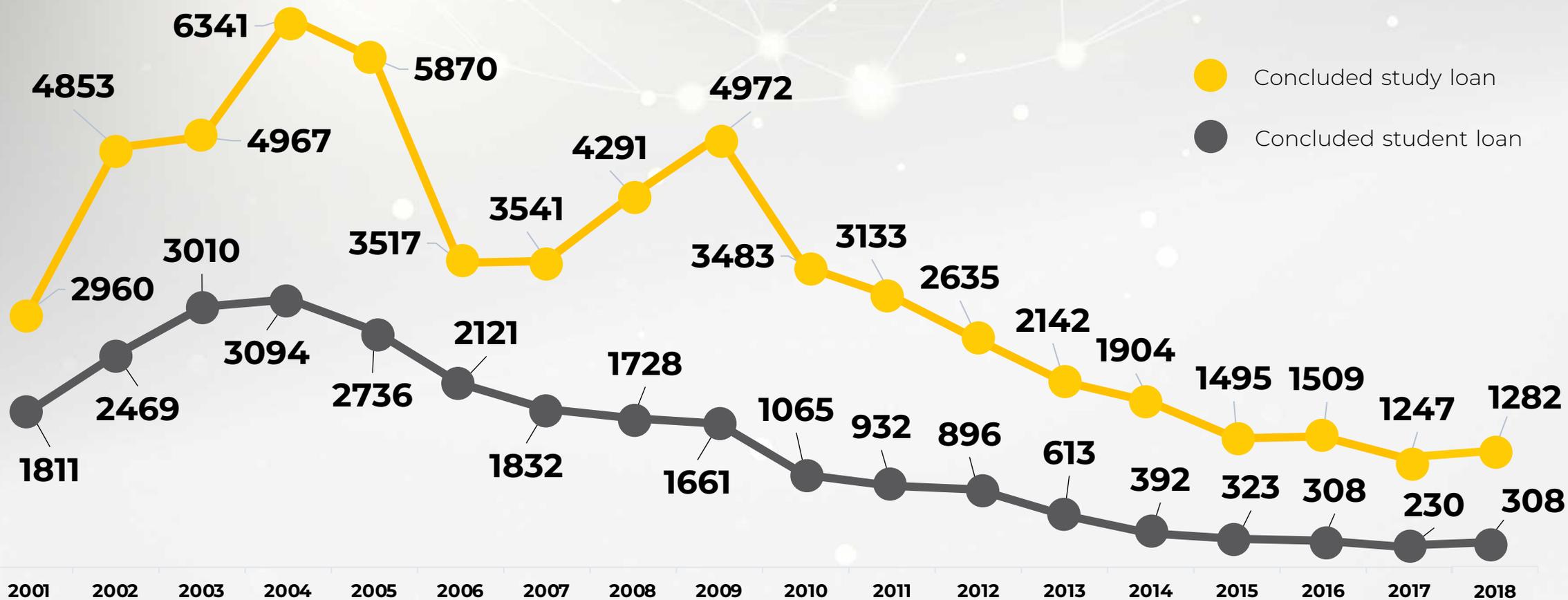
Although the capacity and willingness of individuals to borrow has increased, the main reasons for credit refusals are still linked to the negative impact of the shadow economy and negative credit history.

In general, the potential of the lending environment in the private customer segment is considered positive, but trends in certain areas (eg. state-guaranteed student loans) call for improvement.

---

# NUMBER OF CREDIT AGREEMENTS CONCLUDED BY CREDIT TYPE (2001-2017)

FINANŠU  
NOZARES  
ASOCIĀCIJA



Source: Data gathered by Finance Latvia Association (2019)

- **49.8%** of students have considered a study, student, or both types of loans as a possible financial solution for covering tuition-related costs.
- Of the given number, **40%** of students did not apply for a loan, as it was no longer needed, the student could not find a guarantor or experienced doubts about their ability to repay a loan.
- However, loans were refused to **9.4%** of the students who applied for a study loan and **5.8%** of the students who applied for a student loan.

The most frequent reasons for rejection: students could not provide suitable guarantors, as they were over the age of 64 or had unsettled debts.

# **DISCUSSION**

THE FUTURE OF  
STUDENT AND STUDY LOAN SYSTEM IN LATVIA:  
CHALLENGES AND POSSIBLE SOLUTIONS

# THE FUTURE OF STUDENT AND STUDY LOAN SYSTEM IN LATVIA: CHALLENGES AND POSSIBLE SOLUTIONS



**AINARS BALCERS**

Co-chairman of the Finance Latvia Association's Lending committee, Head of Mortgage Support Department, Baltic, Swedbank



**ARVILS AŠERADENS**

Chairman of the Parliamentary Education, Culture and Science Committee



**ANITA MUIŽNIECE**

Parliamentary Secretary, Ministry of education and science



**JUSTĪNE ŠIRINA**

President of the Student Union of Latvia



**REINIS BĒRZIŅŠ**

Chairman of the Board of the finance development institution "Altum"



**AIGARS ROSTOVSKIS**

Chairman of the Latvian Chamber of Commerce and Industry Council

MORE ON THE  
LENDING INDEX

[www.financelatvia.eu](http://www.financelatvia.eu)

LENDING INDEX PRESENTATION  
EXPERT DISCUSSION

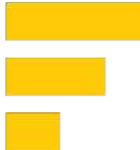
# THE FUTURE OF STUDENT AND STUDY LOANS IN LATVIA: CHALLENGES AND POSSIBLE SOLUTIONS



Latvijas Tirdzniecības  
un rūpniecības  
kamera



Latvijas  
**Studentu**  
apvienība

**FINANŠU  
NOZARES  
ASOCIĀCIJA** 

**THANK YOU FOR YOUR ATTENTION!**



Latvijas Tirdzniecības  
un rūpniecības  
kamera



Latvijas  
**Studentu**  
apvienība

**FINANŠU  
NOZARES  
ASOCIĀCIJA** 