Conclusion

The renewed interest on the role national promotional banks have to play in the coming years is widely ascertained at European level. The developmental goals established several years ago, represented by the Europe 2020 strategy, launched in 2010 by the European Commission, and the complementing Investment Plan for Europe greatly match the mission assumed by NPBs and cannot be achieved solely by relying on competing commercial banks in a country. The three mutually reinforcing national and European priorities for growth envisaged by the Europe 2020 strategy are in line with their promotional mandate, namely:

1. Smart growth, which emphasizes the need to boost knowledge, research, innovation, education and the use of internet;
2. Sustainable growth, which focuses on increasing industry’s competitiveness, stimulating entrepreneurship incentives and fighting against natural resources’ waste;
3. Inclusive growth, which targets labour markets and the people wellbeing, by enhancing job creation, skills acquisition, mitigating poverty and social exclusion.

As emphasized by Europe 2020 strategy, the European trend is to focus on smart, green and inclusive development which implies the identification and fostering of new sources of growth, innovation and competitiveness that have their roots in knowledge intensive activities, productivity and environmental sustainability. Bassanini, Pennisi and Reviglio (2015) explain that economic development is reinforced by development finance, the latter being defined as “long term finance coupled with the capacity to provide technical assistance to the borrower and to evaluate financial and social returns as well as to assess the opportunities and the risks inherent in development projects and programs and to formulate supporting policy measures” (pp. 13-14).

Another trend concerning the NPB’s activity has been signaled by Volberding (2016) which claims that in recent years national governments have adapted NPBs so as to indirectly implement national economic policies by
means of market-based mechanisms. The author draws also attention on the challenge imposed by the creation of new NPBs, namely they channel domestic and European financial resources to national SMEs and projects, undermining the goal of European financial integration.

KfW Group, a leading NPB in Europe, enumerates several major challenges faced by world’s economies which have to be addressed through the specific activity performed by NPBs, namely climate and environmental protection, globalization, technical progress and demographic change (aging, migration etc.).

In terms of policy recommendations, one should start with the European Commission (2015) communication which clearly states that the establishment of a national promotional bank isn’t a substitute for government’s structural policies and reform, in terms of improving legal and fiscal systems, administrative procedures, reducing the costs of doing business.

Practitioners and economic literature agree that macro-economic policies and large scale investment projects are directly influencing each other, the former being sometimes the subject of modifications in order to facilitate the investment environment. In addition, Bassanini, Pennisi and Reviglio (2015, p. 16) argue that environmental, social inclusion and information communications technology issues must not be treated as a distinct set of policies and measures to complement macroeconomic development policies but must merge with them, be included in the overall macroeconomic strategy of a country.

The book aims to increase knowledge on promotional banks’ business by reconciling various dimensions (conceptual, qualitative analyses, statistical and mathematical analyses) with recent and past developments, as well as prospects for further emergence of new entities.

The first chapter explains the context that triggered the revival of national and European authorities’ interest regarding promotional banks and creates the conceptual framework for understanding the specificity of promotional banks’ business model, its intrinsic governance and management features. It examines each specific feature, and then identifies European NPBs depicting those features. The main discrepancies appear in terms of classifying NPBs in deposit taking and non-deposit taking institutions, or according to their lending models (first and second tier lending).

The second chapter has followed a three-fold structure, to better discriminate between the standpoints shared by decision makers and academia / research centers and the historical record perspectives related to European national promotional banks’ economic and social involvement.

An important finding comes from synthesizing the European national promotional banks that have applied for EU funding from the newly launched
EC’s financial instruments. It has been found out that 11 out of 18 NPBs have applied for obtaining this type of funding. HBOR from Croatia is the most active NPB, in terms of the number of finance contracts recently signed with EU institutions and also the most diversified range of projects financed, and followed by NPBs from Czech Republic, France, Germany and Italy.

The last part of the chapter has assessed and explained the patterns of the relationship between promotional banks’ size, expressed in terms of total assets, and several macroeconomic fundamentals such as GDP, debt-to-GDP ratio, GDP per capita, production in construction index, exports/GDP, employment rate, research and development expenditure as share in GDP and electricity generated from renewable sources.

Chapter 3 aims at classifying NPBs in homogenous clusters, based on the level of similarity or proximity computed for a given set of attributes. It has been applied a data mining technique called cluster analysis in order to perform an agglomerative hierarchical clustering of the 18 NPBs in the sample. The first set of attributes is related to the overall activity performed by a NPB, namely: total assets, return on equity and tier 1 capital ratio. The first classification of banks into smaller clusters proved moderate fragmentation in respect of the total number of clusters generated and almost unchanged composition one year from another. Some NPBs distinguish themselves as they recorded the highest level of ROE (it is the case of Municipality Finance) and respectively the highest level of tier 1 ratio (Eximbank). Interestingly, NPBs with mixed ownership structure, which do not attract deposits from customers and rely solely on second-tier lending, were always included in the same cluster during each year considered.

The second set of attributes relates to NPBs balance sheet structure, namely: the share of loans in total assets, the share of financial assets to total assets and total liabilities. The new classification performed indicated increased fragmentation in the number of clusters, changing composition one year from another as well as the appearance of more outlier banks, that hold their unique cluster and hence greater dissimilarity compared to the remaining ones. NPBs from Czech Republic, Estonia, Hungary, Poland, Romania and Spain were always outliers suggesting increased persistence of dissimilarities during the entire time span and far apart features compared to the remaining banks. For instance, in 3 out of 4 years Eximbank from Romania recorded the highest share of financial assets in total assets.

Chapter 4 makes significant contribution to existing literature in the field of efficiency and productivity, as it is the first study to comprehensively investigate the two concepts in relationship with a different financial institution type, namely European NPBs. The first sub-chapter applied the
Data Envelopment Analysis technique in order to quantify the performance depicted by each promotional bank in the sample, expressed as the degree of relative efficiency, for each year in the time span 2011 – 2014 and to build an efficient frontier represented by the combination of the most efficient banks in the initial sample.

The relative efficiency scores have indicated that three national promotional banks always positioned on the efficient frontier (HBOR from Croatia, KfW from Germany, Societe Nationale de Credit et d’Investissement from Luxembourg) while Cassa Depositi e Prestiti from Italy acted efficiently only in 2011 and 2012, while in the subsequent two years its level of inefficiency is negligible (between 0.4% and 3%). Consequently, these best practice NPBs become benchmarks or peers for the remaining inefficient ones. It can be observed that during each of the four years of study HBOR from Croatia has been attributed most times as peer promotional bank for inefficient NPBs, meaning that its business model shows the most balanced mix between the amounts of financial resources collected and the financing provided in the form of loans.

The ranking of NPBs according to the technical efficiency scores obtained in each year illustrated several constant presences within the top-5 hierarchy, namely HBOR (Croatia), KfW (Germany), Societe Nationale de Credit et d’Investissement (Luxembourg), Cassa Depositi e Prestiti (Italy), Finnvera (Finland), BNG Bank (Netherlands) and Landwirtschaftliche Rentenbank (Germany), meaning that these banks depict the greatest potential for optimizing their lending ability by relying on currently existing liabilities’ level. By correlating this finding with the one ascertaining that most efficiency scores lie in the range 0.75-1, it seems that the inefficiency level is between 0.25-0 for most NPBs and thus they are not far away from the best practice standard.

The second sub-chapter employs a DEA-type Malmquist index of total factor productivity to measure the productivity changes over time for each NPB in the sample and to investigate the sources of productivity change during the time span 2011-2014.

Eximbank (Romania) has constantly witnessed one of the highest productivity growth during each year considered. Four NPBs always exhibited a productivity decline pattern, more or less pronounced: Českomoravská záruční a rozvojová banka (CMZRB - Czech Republic), Cassa Depositi e Prestiti (Italy), Bank Gospodarstwa Krajowego (Poland) and SID Bank (Slovenia). However, most banks in the sample show mixed evidence of productivity developments one year from another.

By decomposing total productivity into its two components, namely changes in technical efficiency, due to a catch-up effect and changes in technology,
due to frontier movement it has been identified that the component which contributed most to Malmquist indexes path over time has been the catch-up effect during 2011-2012 and the frontier shift effect during 2013-2014. In other words, during the first two years NPBs strived to converge as much as possible to the efficient frontier by improving their efficiency scores, while during the latter two years they incorporated several technology developments and innovations that shifted the efficient frontier itself.

By correlating the empirical findings in chapters 3 and 4, it can be observed that the four fully efficient NPBs depict the most balanced financial structure and are the closest to the genuine features of promotional business model. Specifically, they record the highest levels of loans to total assets ratio and values fluctuating around the sample’s average for the share of financial assets in total assets, return on equity and the asset and liability size.

Chapter 5 provides a comprehensive, topical outlook on the diverse typology of business models with social impact operating across European financial industry, which depicts the potential for acting as candidates for performing a promotional bank activity.

The novelty of the chapter resides in unifying the different financial alternatives to mainstream banking, represented by cooperative banks, ethical banks and sustainable banks, by providing a snapshot into their business models’ mission and specificities and their current spread across European Union member states. It has been performed also a visual analysis, depicted in the form of several European geographical maps, to reveal the territorial spread of each type of financial institution operating according to the principles of NPBs. The conclusion is that the most spread are cooperative banks (19 countries in the map), followed by socially responsible banks signatories of the UN Global Compact (14 countries in the map), socially responsible banks signatories of the UNEP FI and ethical banks (13 countries in the map) and socially responsible banks signatories of the Equator principles (10 countries).

Further, the chapter has identified those financial institutions that have applied for obtaining European funding from EU or the European Investment Bank, by indicating the name of the EC’s facility under which they received financing and the main beneficiaries of the financing. The findings indicated that although 12 EU countries out of 28 hold at least one social impact financial institution that had applied for EU financing, the most active institutions, in terms of the number of finance contracts signed with EU are located in France, Greece and Spain.

Last but not least, the chapter indirectly aimed at outlining the fundamental role financial institutions, in general, have to play, to support the achievement of contemporaneous ambitious desiderate for enhancing employment
and growth within EU. In order to become a reliable tool for improving the quality of life, money collected and managed by financial institutions should acquire a socially responsible dimension.

Also, banking customers and investors could contribute to the profound transformation of banking business behaviour by renunciation to the passive, neutral attitude toward where their money is invested. They have to actively get involved in requiring the financial institutions’ improvement of transparency and communication with the public, the channelling of investments for financing green, environment-friendly projects or development of human capital, for diminishing adverse impacts on the natural environment and population, for helping develop the communities in which they conduct business.

However, it will take some time until a critical mass of mainstream financial institutions will internalize the socially responsible values and will behave accordingly. Promotional banks have their distinct positioning in this respect, but have to become more visible, more active, to increase collaboration with European institutions and convert themselves into a benchmark of best practices.

The subject of the book has focused exclusively on NPBs developed and operating in Europe the more so as this topic is on the agenda of European decision-makers. However, further research might be devoted to qualitative and quantitative comparative analyses in order to discriminate whether there is a difference between national promotional banks operating in advanced countries and their peers operating in developing countries, as well as at European or international level, in terms of fundamental mission and objectives, operational tools and activities performed.

REFERENCES
