

DIMITAR ANEVSKI*
KLIMENTINA POPOSKA**
ELENA TEMELKOVSKA-ANEVSKA***

**FINANCIAL INSTITUTIONS AS AN INTERMEDIARY
BETWEEN INTERNATIONAL LENDERS AND BANKS:
CASE STUDY MACEDONIAN BANK FOR DEVELOPMENT
PROMOTION**

Abstract

Banks are the most important and influential financial institutions in Republic of Macedonia, participating with more than 90% in total operations. Their impact in the economy is widely recognized for the overall economic growth. Founding state bank that will promote the development of the economy is widely accepted practice by many countries. The state development banks facilitate the international cooperation with other financial institutions and funds, providing know-how and affordable credit lines for domestic companies. This paper examines the Macedonian bank for development promotion (MBDP), as state bank, its legal background for establishment, analyses of credit lines and the structure of their utilization by the banks as well as the impact as a financial intermediary in embedding funds in the financial sector.

Key words: Banks, Credit lines, Financial institutions, Macedonian Bank for Development Promotion, SME.

* Dimitar Anevski, PhD, Komercijalna Banka AD Skopje, Republic of Macedonia
E-mail: dimitar.anevski@gmail.com.

** Klimentina Poposka, Ph.D., Associate Professor, Institute of Economics – Skopje, University St Cyril and Methodius-Skopje, Republic of Macedonia.
E-mail: klimenti@ek-inst.ukim.edu.mk.

*** Elena Temelkovska-Anevaska, PhD, Assistant Professor, Faculty of Law – Kicevo, University St. Clement of Ohrid, Bitola, Republic of Macedonia.
E-mail: e.temelkovska@gmail.com.

JEL Classification: G21, G28, Z23

Introduction

Financial institutions continuously offer innovative credit instruments in order to cope with varying market conditions. The development can be fostered or slowed by the institutions in charge of their regulation. If the regulator goal is to open the market and increase the supply, it can employ many instruments. Quite the reverse, not intervening at all and permitting the financial institutions to have complete independence may effect in high credit rates, overpowering the economy at a full cost for the credit beneficiaries, resulting in general economic slowdown. Such position drives toward closely observation on the finance market, spotting the deficiencies and making efforts to resolve observed obstacles.

A market opening requires use of legal solutions, law improvement interventions, new law or legal acts proposals, compliance and harmonization with European and global regulation etc. Following the footsteps of more developed countries, a worthy solution is the establishment of a state owned bank responsible for increasing competition in the banking sector. Moreover, lending by state banks is less reactive to economic fluctuations, especially in the period of economic downturns, which means that public banks are able to cut less on new loans when there is negative economic progress in the country¹. In this regard, Republic of Macedonia established the Macedonian bank for development promotion on May 1998 via special law, set to operate on the same principles as German KFW Bank, aiming to establish balanced development of all regions in the country.

The aim of this paper is to examine the Macedonian bank for development promotion, the legal acts and their compliance with higher acts, its purpose and goals. Also, through detailed analyze of the documents provided by the Bank, we managed to examine its portfolio, structure and use of the funds per bank separately, focusing on the detail analysis of the credit lines from the European investment bank.

¹ Thibaut D. (2013) Bank Ownership and Credit Cycle: The Lower Sensitivity Of Public Bank Lending To The Business Cycle, *Paris-Jourdan Sciences Economiques Centre National De La Recherche Scientifique Working paper N° 2013 – 15*, p.26.

1. THE NEED FOR THE ESTABLISHMENT OF STATE BANK

Following the example of many developed and developing countries, the Macedonian bank for development promotion was established as a supporter to the domestic economy developments. The purpose of the Bank is to stimulate exports through financing the small and medium size enterprises (SME) and to perform tasks not attractive for the commercial banks. Following the adoption of the 1998 Law, there were three amendments to the Act, adapted to the current situation in the economy. These amendments provide the necessary legal privileges for direct enterprises financing. The Bank has created programs for co-financing and guarantees for long-term investment loans and working capital loans. In order to implement these measures, it was necessary to make the appropriate changes in the Law establishing the bank. Given that we have already made three amendments to the Law on Establishing the Macedonian Bank for Development Promotion, a new version² of the Law was prepared.

The new law articles were essential in providing real business support. Article 9 of the Law specifies that the bank's liabilities are guaranteed by the Republic of Macedonia, thus allowing easier access to international financial markets and relieved the cooperation with international lenders. Article 12 and 20 enabled direct lending to enterprises, enabling MBDP to use loans with lower interest rates and improve competitiveness. The bank is guided by the principle of non-competition, non-discrimination and transparency, which means that it also performs direct crediting of projects that are not of interest to commercial banks which represented a strategic interest and priority of the state. Generally, the new law increased the credibility of the bank, mainly due to the guarantee from the state, thus enabling easier access to financial markets and credit arrangements with international financial institutions, presented hereafter.

² Macedonian Bank for Development Promotion Law, article 6, Assembly of the Republic of Macedonia, Official Gazette of the Republic of Macedonia no. 105/09 from 21.08.2009, available at <http://www.mbdp.com.mk/index.php/mk/regulativa/zakon-za-MBDP>, accessed on 25.02.2017.

2. MBDP AS AN INTERMEDIARY BETWEEN INTERNATIONAL LENDERS AND BANKS IN REPUBLIC OF MACEDONIA

Seeking assistance in the form of advises, joint investment projects or even larger cheaper funds from developed countries and international financial institutions are a proper manner to develop the enterprises competitiveness and the entire economy. It is recognized practice for some banks to use several foreign funds, to cooperate with foreign investment funds or banks, but it seems impossible for all banks to make separate agreements with those organization. The role of MBDP is to make contact and arrangements with financial institutions and to put funds on disposal to domestic banks, regardless the capacity of the bank. Such approach creates additional possibilities for the banks and the enterprises, shrinks the prices of credit, boosts the competitiveness and raises the level of economy development.

The bank has managed to participate in many international organizations in the field of banking, providing high level cooperation such as The European Association of Public Banks, and Prague Club, part of the Berne Union. MBDP has concluded cooperation agreement with the following export credit agencies and development banks³: AOFI-Serbia, BAEZ-Bulgaria, HBOR-Croatia, SID-PKZ-Slovenia, IGA-Bosnia and Herzegovina, MEHIB-Hungary, KUKKE-Poland, EGFI-Iran, EXIMGARANT-Belarus, SEP-Saudi Arabia, TURK EXIMBANK-Turkey, Bulgarian Development Bank (BDB), German Development Bank (KfW), etc. MBDP cooperates with number of international institutions: OECD, World Bank, MIGA, IBRD, EIB, EBRD, CEB, etc.

Besides intermediary lending through commercial banks, MBDP have the opportunity to lend directly in order to finance government projects. In this context, Table 1 displays type of sectors in which MBDP has disposed assets for the period from 2007 to 2015.

³ Macedonian bank for development promotion: International Co-operation, 2016, available at <http://mbdp.com.mk/index.php/en/international-co-operation>, accessed on 26.02.2017.

Table - 1 Sectorial distribution of credit risk of the MBDP for the period from 2007 to 2015

Sector	2015	2014	2013	2012	2011	2010	2009	2008	2007
Banks	13,697,390	12,636,793	12,308,381	10,773,376	9,545,741	6,187,636	3,062,615	2,571,224	2,571,224
State	290,917	85,515	87,708	142,745	55,739	1,875	2,834	166,608	166,608
Non-financial institutions	13,249	19,005	23,621	78,201	22,432	35,078	24,847	29,476	29,476
Non-residents	2,689,611	1,954,237	1,165,684	996,805	694,332	976,204	158,012	606,463	606,463
National bank	580,706	737,109	798,455	574,465	0	0	0	0	0
Other	644	1,438	2,001	2,543	0	0	503,733	0	0

Source: Summarized by the author based on data and reports for the periods from 2007 to 2015, Macedonian Bank for Development Promotion.

Analysis demonstrates that the banking sector is the largest beneficiary of the MBDP's funding with 5 times greater placement in the year 2015 than in the year 2007.

Despite collaborations with a number of financial institutions, the most important is cooperation with the European investment bank through several credit arrangements. Its goal is through financing quality

projects to provide support in achieving the policy objectives of the European Union. The cooperation with the EIB intensified on June 25, 2009 with the line of credit agreement intended for SMEs support and priority projects (industrial investments in the fields of economy, energy and environmental protection) amounting 100.000.000 EUR. This cooperation continued on 14 October 2011 by signing an agreement to implement the second phase of this credit line for SMEs and priority projects in the field of economy, energy, services and environment in a total amount of 50.000.000 EUR. On July 10, 2012, a new contract is signed for EUR 100.000.000, which announced the third phase of the EIB credit line. Fourth line of credit 4 EIB was signed on 31.12.2013 amounting EUR 100.000.000, and its full utilization announced possible 5th credit line.

Analyzing the latest available data⁴, the credit lines of the bank can be organized in two division, domestic credit lines from its own funds and foreign credit lines.

Table 2 - Credit Lines from MBDP Own Funds

Credit line	Amount in EUR	Repayment period	End user interest rate
Credit line for development of small and medium sized enterprises	from 15,000 to 500,000	up to 11 years, grace period of up to 1 year included	6.5% p.a.
Financing the export oriented production	from 15,000 to 2,000,000 through banks and up to 1,000,000 direct lending	up to 2 years	6% p.a.
Permanent working capital financing	from 30,000 to 300,000	up to 3 years	6.5% p.a.
Municipalities financing for implementation the projects financed under EU IPA Component	from 10,000 to 300,000	up to 2 years	5.75% p.a.

Source: Annual Report 2014, p. 21, Macedonian Bank for Development Promotion, April 2015.

⁴ Macedonian Bank for Development Promotion, Annual Report 2014, April 2015, p.21-24, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/mak-godishni-izveshtai/2014-godishen-izveshtaj-skr.pdf>, accessed on 23.02.2017.

The credit line for SMEs development intends to fund existing and new small and medium sized companies, to improve competitive advantages and create new jobs. The credit line designed to finance production for export is intended to finance working capital for the preparation of production projected for export. Loans are approved on the basis of identified export inflows. The credit line for working capital is intended to finance the needs of SMEs for working capital. The latest credit line is intended to finance projects for municipalities.

The second category is the credit lines which MBPD has managed to provide from foreign creditors and donors. Below is a summarized table with the credit lines.

Table 3 - Credit Lines by Foreign Financial Institutions, Bilateral Creditors and Other

Credit line	Amount in EUR	Repayment period	End user interest rate
EIB credit line for investment credits	from 10,000 up to 3,500,000 EUR	up to 8 years with up to 24 months grace period included	5.5% p.a.
EIB credit line for permanent working capital (TOS)	from 5,000 up to 666,700 EUR	up to 3 years with up to 6 months grace period included	5.5% p.a.
EIB credit line for priority projects and Mid Cap companies	up to 6,000,000 EUR	up to 8 years with up to 24 months grace period included	5.5% p.a.
Commodity Credit Line from the Republic of Italy Revolving Fund	from 50,000 up to 400,000 EUR	up to 6 years with 1 year grace period included	6% p.a.
Credit Line for financing micro, small and medium sized enterprises from KfW (KMB1, KMB2, KMB3)	up to 50,000 EUR	up to 4 years	determined by the intermediary bank
Sustainable Energy Project (energy efficiency)	up to 60% of the project value from 20,000 up to 500,000 USD	up to 6 years	determined by the intermediary bank
Sustainable Energy Project (renewable energy sources)	up to 60% of project value from 50,000 to 4,000,000 USD	up to 10 years with up to 3 years grace period included	determined by the intermediary bank
Project "Financial support for self employment"	for 1 unemployed person up to 7,000 EUR, depending on person's status age	up to 7 years with 18 months grace period included	1 % p.a., interest not paid during grace period
Agricultural Credit Discount Fund OKF (ZKDF)	300,000 EUR	agreed with the financial institution	from 4% up to 6.5% p.a.
Credit line for production, processing, and export of agricultural products (Compensation funds)	up to 300,000 EUR (500,000 EUR for purchase of grape, wheat, fruits and vegetables)	up to 5 years with grace period of 1 year included	3% p.a

Source: Annual Report 2014, p. 22, Macedonian Bank for Development Promotion, April 2015.

The table displays various credit lines, for different purposes, amounts, repayment periods and interest rates with an average of 5-6% p.a. The first allocation of funds from foreign credit lines was in the year 2001 totaling EUR 8.3 million. Most of the funds are used from the German KfW Bank credit line in the amount of 5.6 million euros, and the rest of the Commodity credit line from Italy in the amount of 2.7

million euros. In 2001, no withdrawals were registered from the credit program for micro and small loans from the German KFW Bank⁵. In the year 2002 the trend of using funds from foreign credit lines has a slight increase and amounts to 8.4 million euros⁶. Most of the funds were used from the credit line of the German KFW Bank in the amount of 6.6 million euros, and the rest of the credit line of the Italian Republic in the amount of 1.2 million euros, and the commodity credit line from the German-Macedonian Fund amounting to 0.6 million euros. In the year 2004 the number of participating banks reached 14, indicating the attractiveness of credit lines. The largest share had a credit line secured by the German-Macedonian fund in the amount of 5,309,522 euros. For the first time a funds were withdrawn from the credit program for micro and small loans from the German KFW Bank totaling 2,150,000 euros⁷. In the year 2005 there was a record in foreign credit lines with almost 19 million euros in credit⁸. Although the start was sluggish, it had stable growth in upcoming several years to reach a maximum with the more attractive credit lines from European investment bank.

3. ANALYSIS OF MBDP LOAN PORTFOLIO AND ITS CONTRIBUTION AS ADDITIONAL FUNDS FOR DOMESTIC BANKS

Credit portfolio of MBPD from the year 2007 to 2015 is in continuous growth. Such growth inevitable shows that banks had opportunity to increase their portfolio and to provide additional funds. Moreover, using cheaper funds, smaller banks are able to compete with larger banks and still retain greater profit margin. We are trying to

⁵ Macedonian Bank for Development Promotion, Annual Report 2001, p.30, 2002, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2001-eng-mak-annual-report.PDF>, accessed on 26.02.2017.

⁶ Macedonian Bank for Development Promotion, Annual Report 2002, p.32, 2003, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2002-eng-mak-annual-report.PDF>, accessed on 26.02.2017.

⁷ Macedonian Bank for Development Promotion, Annual Report 2004, p.11-15, 2005, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2004-eng-mak-annual-report.PDF>, accessed on 26.02.2017.

⁸ Macedonian Bank for Development Promotion, Annual Report 2005, p.30-35, 2006, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2005-eng-mak-annual-report.PDF>, accessed on 26.02.2017.

determine the main reason for such upsurge, knowing that until 2009 the total portfolio to banks was a fragment of the year 2015 distribution to banks. We are trying to identify the factors responsible for the growth, knowing that MBDP had already had numerous credit lines with attractive conditions.

In order to identify the reasons for attractiveness of the credit lines and which credit lines are the most influential and utilized, we are using data provided by MBDP. First we are grounding on analysis of annual reports from 2006 to 2012⁹, generating the following table.

Table 4 - Credit portfolio of MBDP (without commissioning) in the Republic of Macedonia for the period 2006 to 2012¹⁰

<i>Banks / Years</i>	Loan placements in `000 EUR						
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Komercijalna Banka AD Skopje	14259	953	7054	16025	19871	37830	40572
NLB Banka AD Skopje	4364	3552	2737	10256	14102	37248	37044
Procredit Bank AD Skopje	19	4418	4418	7051	5128	19934	31752
Ohridska Banka AD Ohrid	2025	3086	2947	3205	6731	18770	22932
Stopanska banka AD Skopje	0	0	0	0	2564	9894	14112
Sparkasse Bank AD Skopje	3896	4173	401	2564	641	1455	7056
TTK Banka AD Skopje	4475	4989	5916	7051	3205	3783	7056
Stopanska banka ad Bitola	1931	3947	4939	7692	6538	6402	5292
Halk Bank AD Skopje	2484	565	565	7051	2564	6548	3528
Uni Bank AD Skopje	1537	442	3865	3205	1282	291	3528
Eurostandard banka AD Skopje	125	0	0	0	0	728	1764
Total	37096	39787	41536	64100	62626	145500	176400

Source: Summarized by the author based on data from the Annual Report 2006-2013, Macedonian Bank for Development Promotion.

⁹ Macedonian Bank for Development Promotion, Annual Report 2006, 2007, p. 37-47, Annual Report 2007, 2008, p. 8-25, 2008 Annual Report, 2009, p. 14-25, 2009 Annual Report, 2010, p. 15-25, 2010 Annual Report, 2011, p. 17-35, Annual Report 2011, May 2012, p. 37-40, Annual Report 2012, April 2013, p. 45-47.

¹⁰ The chosen period of analysis was derived due to the format of the reports. After 2012 data are not available in the annual reports in such format, yet data series are not continue. The declared period is sufficient clearly to demonstrate the trend of loans rise corresponding to the period of credit arrangements made through the European Investment Bank.

Table 4 clearly indicates a steady growth of the portfolio by almost 5 times in 2012 compared to 2006. The significant influence of the credit lines is highly detected in 2011 when compared to 2010 the total portfolio increased more than double. Komercijalna Banka AD Skopje is a leader in credit lines utilization from MBDP during the examined period, followed by ProCredit Banka AD Skopje as a medium sized bank. The policy of non-selectivity and non-favoring of certain banks provides equal opportunity to all banks to compete for the attractive credit lines.

Having more analytical approach, we found that increased growth of the portfolio result mainly by the credit lines from the EIB. In order to perform more depth analysis we used a Report - information on the implementation of the EIB 1, 2, 3 and 4 ¹¹. First credit line from the European Investment Bank is active on 25.06.2009 by signing the Financial Agreement (Finance contract No.25017 for SMEs) in the amount of EUR 100.000.000. This credit line was used by 9 banks and in accordance with the usage deadline of 2 years. Credit line was used in full by April 2011. For this credit line, 75% of the funds were for investments, whereas 25% for aimed on working capital.

The structure of the credit line EIB 1 banks is presented in the Table 5.

¹¹ Macedonian Bank for Development Promotion: Information about realization of the EIB 1, 2, 3 and 4, January 2016, pp. 1-125.

Table 5 - Structure of the placed funds from EIB credit line 1 of the banks in Macedonia

Bank	EUR	%	Number of projects
Komercijalna Banka AD Skopje	34.470.075	34,47	79
NLB Banka AD Skopje	30.233.200	30,23	67
Ohridska Banka AD Ohrid	10.892.004	10,89	32
Stopanska Banka AD Skopje	10.206.315	10,21	40
Procredit Bank AD Skopje	6.280.396	6,28	48
Stopanska banka ad Bitola	5.901.629	5,9	28
Halk Bank AD Skopje	1.390.345	1,39	9
Uni Bank AD Skopje	544.735	0,54	2
Sparkasse Bank AD Skopje	81.301	0,01	1
Total:	100.000.000	100	306

Source: Information about realization of the EIB 1, 2, 3 and 4, Macedonian Bank for Development, Jan 2016

Komercijalna Banka AD Skopje has the highest utilization of the credit line and the number of projects in total. Second place is secured for the Tutunska Banka AD Skopje with utilization of over 30 million euros. Two other banks in the group of large banks, Stopanska Banka AD Skopje and Ohridska Banka AD Skopje have an approximate utilization of around 10 million euros. The second EIB credit line in the amount of EUR 50,000,000.00 was signed the on 14.10.2011 (Finance contract No.31602 for SMEs & Priority Projects II). It was fully utilized as of April 2012. This credit line included 10 banks. Table 6 shapes the structure of the EIB credit line 2.

Table 6 - Structure of the placed funds from EIB credit line 2 of the banks in Macedonia

Bank	EUR	%
NLB Banka AD Skopje	10.044.870	20,09
Ohridska Banka AD Ohrid	9.373.000	18,75
Komercijalna Banka AD Skopje	7.260.902	14,52
Procredit Bank AD Skopje	5.877.152	11,75
Stopanska Banka AD Skopje	5.658.661	11,32
Halk Bank AD Skopje	4.500.000	9,00
Sparkasse Bank AD Skopje	3.140.415	6,28
TTK Banka AD Skopje	1.863.000	3,73
Stopanska banka ad Bitola	1.025.000	2,05
Uni Bank AD Skopje	544.735	2,51
Total	50.000.000	100

Source: Information about realization of the EIB 1, 2, 3 and 4, Macedonian Bank for Development, Jan.2016

The brief analysis indicates that the second line of credit is largely utilized by NLB Banka AD Skopje in 20.09%. The used amount separately by banks is lower because the reduced available funds. These credit lines with cheaper interest rates create a pressure on the market and forced other banks to involve more actively and use additional funds in order to retain the clients.

The third credit line EIB 3 was contracted on 10.07.2012 year (Finance contract No.81668 for SMEs & Priority Projects III) in the amount of EUR 100.000.000. Although the deadline for credit line usage is limited to 19.07.2014, it was used completely on 19.05.2014, two months before the deadline (Table 7).

Table 7 - Structure of the placed funds from EIB credit line 3 of the banks in Macedonia

Bank	EUR	%
Ohridska Banka AD Ohrid	20.733.700	20,73
Komercijalna Banka AD Skopje	19.526.806	19,53
Procredit Bank AD Skopje	17.539.841	17,54
Sparkasse Bank AD Skopje	10.378.134	10,38
NLB Banka AD Skopje	10.343.000	10,34
Halk Bank AD Skopje	10.057.843	10,06
Uni Bank AD Skopje	3.735.000	3,74
Stopanska Banka AD Skopje	3.582.576	3,58
TTK Banka AD Skopje	2.375.600	2,38
Stopanska banka ad Bitola	1.727.500	1,73
Total	100.000.000	100

Source: Information about realization of the EIB 1, 2, 3 and 4, Macedonian Bank for Development, Jan.2016

The third line of credit was largely utilized by Ohridska Banka AD Ohrid. This bank demonstrates aggressive approach in these consecutive credit lines, starting from third place in first credit line, second in next credit line and to the top in third credit line. Komercijalna banka AD Skopje is maintaining high level of participation in all credit lines.

Fourth line of credit EIB-4 was signed on 31.12.2013 (Finance contract No.82.666 for SMEs & Priority Projects IV) in the amount of EUR 100.000.000.

Table 8 - Structure of the placed funds from EIB credit line 4 of the banks in Macedonia

Bank	EUR	%
Halk Bank AD Skopje	33.860.686	33,86
Ohridska Banka AD Ohrid	18.971.720	18,97
Procredit Bank AD Skopje	17.592.332	17,59
Uni Bank AD Skopje	8.035.503	8,04
Komercijalna Banka AD Skopje	6.863.301	6,86
NLB Banka AD Skopje	6.057.280	6,06
Sparkasse Bank AD Skopje	3.584.278	3,58
Stopanska Banka AD Skopje	2.299.000	2,3
Stopanska banka ad Bitola	1.818.500	1,82
TTK Banka AD Skopje	917.400	0,92
Total	100.000.000	100

Source: Information about realization of the EIB 1, 2, 3 and 4, Macedonian Bank for Development, Jan.2016

Greatest utilization in the fourth line of credit has Halk Bank AD Skopje. Ohridska banka AD Skopje retains the approach on second place, followed by two middle sized banks. Remarkable, smaller banks managed to squeeze out big banks and utilize greater funds within this credit line participating in 65.81% of total funds. MBDP managed to play crucial role in being accessible by smaller banks and to ease the credit terms for SMEs

In the four credit lines a significant number of 1.758 projects are realized in total amount of EUR 350.000.000. Also, it can be noticed how different banks manage to use different amount of funds for these four credit lines, which confirms the MBDP policy of non-selectivity (Table 9).

Table. 9 - Structure of total EIB credit lines by banks in Macedonia

Bank	EUR	%
Komercijalna Banka AD Skopje	68.121.085	19,46
Ohridska Banka AD Ohrid	59.970.424	17,13
NLB Banka AD Skopje	56.678.350	16,19
Halk Bank AD Skopje	49.808.874	14,23
Procredit Bank AD Skopje	47.289.721	13,51
Stopanska Banka AD Skopje	21.746.552	6,21
Sparkasse Bank AD Skopje	17.184.127	4,91
Uni Bank AD Skopje	13.572.238	3,88
Stopanska banka ad Bitola	10.472.629	2,99
TTK Banka AD Skopje	5.156.000	1,47
Total	350.000.000	100

Source: Information about realization of the EIB 1, 2, 3 and 4, Macedonian Bank for Development, Jan.2016

Although Komercijalna Banka AD Skopje has the largest share of utility of EIB credit lines with 19.46%, it is very important that first 5 banks are following close to each other. Percentage margin consequently to the next bank is not larger than 2.33 points from first and second bank, and it is much closer for the next four banks with margin smaller than 2 or 1 percent point. The group of banks with credit utilization lesser than 10% are also close to each other with percentage margin.

As it was assumed, the growth of the portfolio began by signing the Financial Agreement (Finance contract No.25017 for SMEs) with the European Investment Bank on 25.06.2009. Credit line was used in full by

April 2011 in amount of 100.000.000 euro Compared to total placement in banks of 155.000.000 euro by the end of the year 2011, means that two thirds of total placement were due the EIB credit line. The third line was used entirely on 19.05.2014, meaning that 250.000.000 euros were used. Knowing that repayment period was in average up to 3 years, some of the credit lines were returned, so the total net portfolio is lower than 250.000.000 euro. Compared to total placement in banks of 205.476.000 euro by the end of 2014, meant that majority if credits were due the EIB credit line. Finally, by the end of the year 2015 the fourth credit arrangement was used with total of 350.000.000 euro, and the portfolio of the bank was almost 223 million euros, pointing the EIB credit lines as a factor for portfolio growth.

Conclusion

Legislation changes designed to improve the function of MBDP allowed the Bank to act in accordance with modern finance practice, to participate in international financial organizations and to make significant arrangements, introducing desirable finance instruments to SMEs. MBDP also managed to raise awareness to SMEs for affordable credit lines, with lower interest rates and longer repayment periods. This brought pressure to banks to offer such credit lines in order to retain regular clients and to encourage the banks to attract new ones. A positive aspect is the fact that banks used the additional funds to increase their portfolio and to expand operations.

The data derived from the portfolio of Macedonian bank for development promotion proved that the Bank can properly direct credit lines to one market segment that was not satisfied entirely or segment that commercial banks did not have adequate resources or interest to cover. The change in the proportion in the use of credit lines from the largest to the smaller banks disclosed that the Bank strongly encouraged competition. The utility structure of credit lines endorses that MBDP is reaching its goals for non-selectivity, providing and promoting the attractive credit lines.

The role of the MBDP as an intermediary between international financial institutions and banks was emphasized in the EIB credit line, since previously offered credit lines were not attractive. In the near future we expect an enlarged cooperation between MBDP and commercial

banks, in quantity as well as in quality, providing modern finance instruments for small and medium sized enterprises. Bank need to upsurge its cooperation with a various international foundations, investment funds and banks, to regionalize programs, designed them principally for the characteristics of the region in order to ensure balanced economic development in the entire economy.

References

1. Macedonian Bank for Development Promotion Law, article 6, Assembly of the Republic of Macedonia, Official Gazette of the Republic of Macedonia no. 105/09 from 21.08.2009, available at <http://www.mbdp.com.mk/index.php/mk/regulativa/zakon-za-MBDP>.
2. Macedonian bank for development promotion: International Cooperation, 2016, available at <http://mbdp.com.mk/index.php/en/international-co-operation>.
3. Macedonian Bank for Development Promotion, Annual Report 2014, April 2015, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/mak-godishni-izveshtai/2014-godishen-izveshtaj-skr.pdf>.
4. Macedonian Bank for Development Promotion, Annual Report 2001, 2002, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2001-eng-mak-annual-report.PDF>.
5. Macedonian Bank for Development Promotion, Annual Report 2002, 2003, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2002-eng-mak-annual-report.PDF>.
6. Macedonian Bank for Development Promotion, Annual Report 2004, 2005, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2004-eng-mak-annual-report.PDF>.

7. Macedonian Bank for Development Promotion, Annual Report 2005, 2006, available at <http://mbdp.com.mk/images/finansiski-izveshtai/godishni-izveshtai/eng-mak-annual-reports/2005-eng-mak-annual-report.PDF>.
8. Macedonian Bank for Development Promotion, Annual Report 2006, 2007, p. 37-47, Annual Report 2007, 2008, p. 8-25, 2008 Annual Report, 2009, p. 14-25, 2009 Annual Report, 2010, p. 15-25, 2010 Annual Report, 2011, p. 17-35, Annual Report 2011, May 2012, p. 37-40, Annual Report 2012, April 2013.
9. Macedonian Bank for Development Promotion: Information about realization of the EIB 1, 2, 3 and 4, January 2016.
10. Thibaut D. (2013) Bank Ownership and Credit Cycle: The Lower Sensitivity Of Public Bank Lending To The Business Cycle, *Paris-Jourdan Sciences Economiques Centre National De La Recherche Scientifique Working paper N° 2013 – 15*.