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ABISERVIZI 

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## Gestione efficace del credito deteriorato in uno scenario «Post-Covid»

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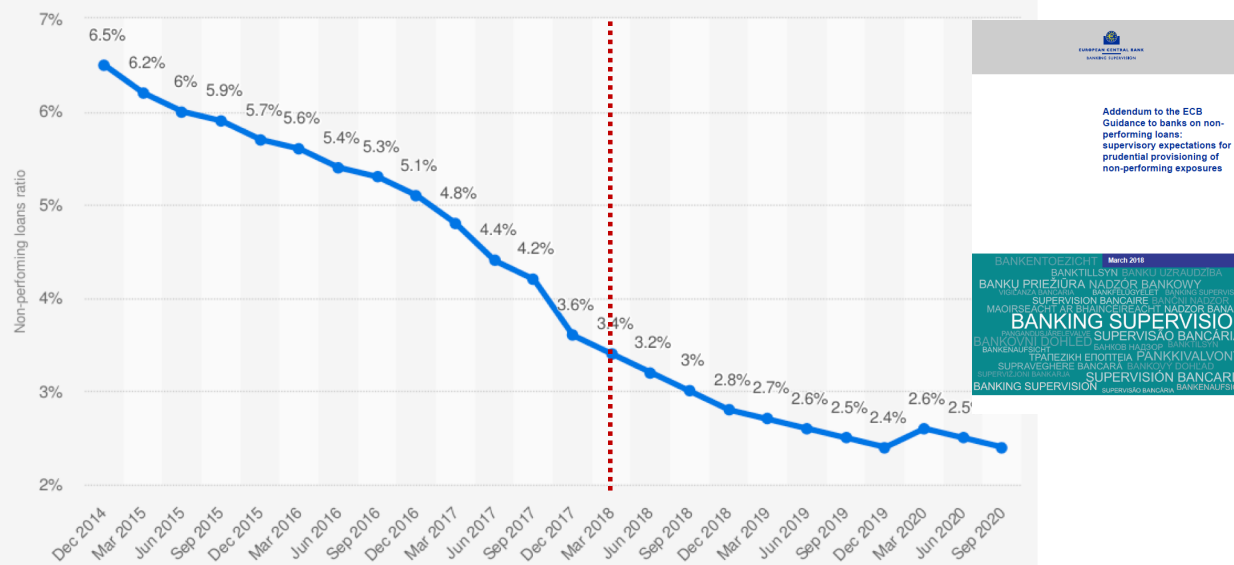


## 5 messaggi chiave:

1. Aihmè, siamo esperti
2. Il problema per ora non c'è
3. Non solo NPLs, ma anche UTPs
4. La gestione efficace del credito deteriorato incide “solo” sulla componente idiosincratICA
5. Un sistema giudiziario efficiente è cruciale per gestire gli NPLs

# NPLs in Europa

**Weighted average ratio of non-performing loans and advances (NPL) of the banking sector in the European Union (EU) from December 2014 to September 2020**

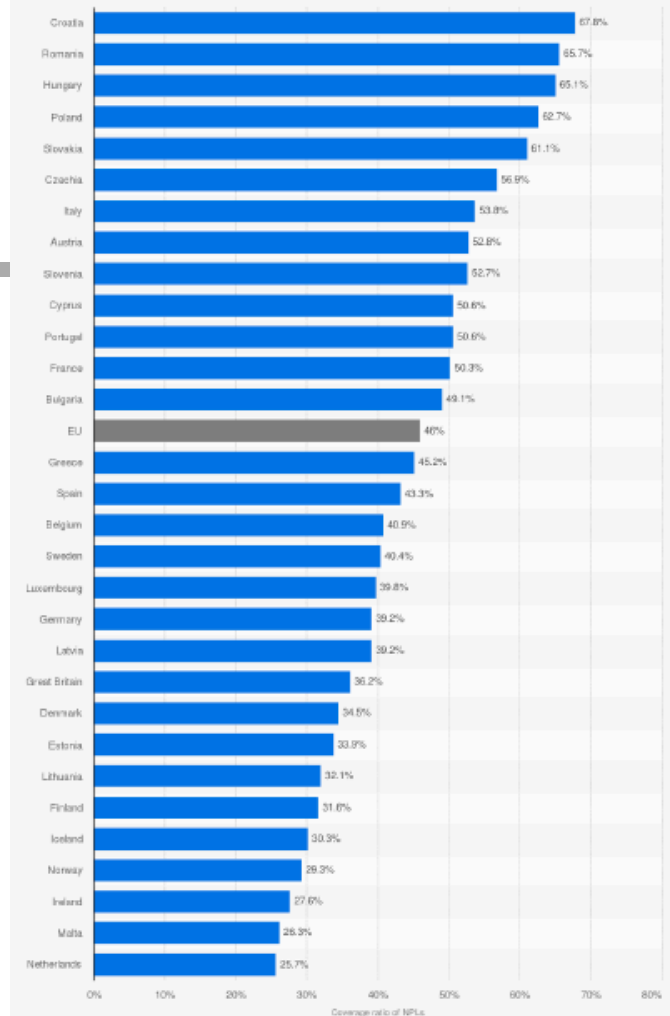


Source:  
EBA  
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Additional Information:  
EU; December 2014 to September 2020

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**Coverage ratio of non-performing loans and advances (NPL) in Europe As of the 1st quarter 2020, by country**



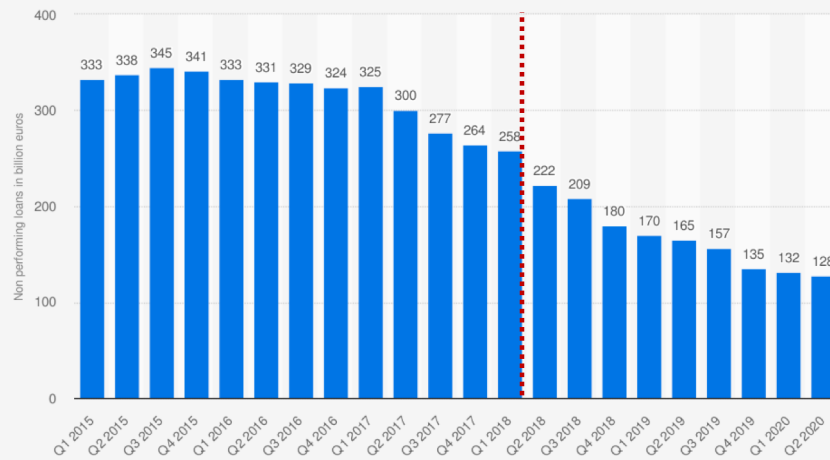
Source:  
EBA  
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Additional Information:  
United Kingdom; 1st quarter 2020

statista

# NPLs in Italia

Value of non-performing loans in Italy from 1st quarter 2015 to 2nd quarter 2020 (in billion euros)

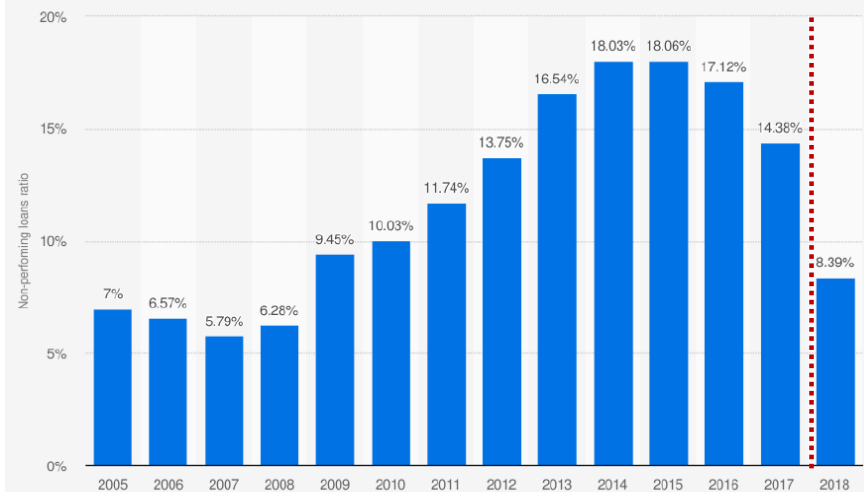


Source:  
Banca d'Italia  
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Additional Information:  
Italy; Q1 2015 to Q2 2020

statista

Bank non-performing loans (NPL) to total gross loans ratio in Italy from 2005 to 2018



Source:  
World Bank  
© Statista 2020

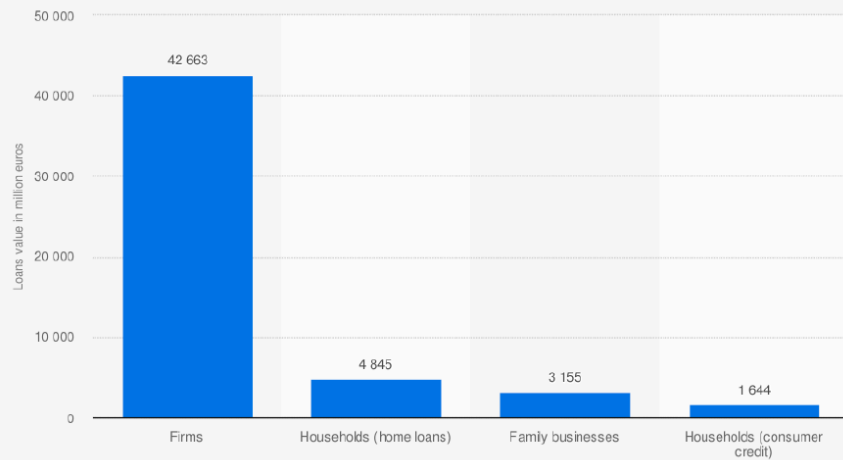
Additional Information:  
Italy; 2005 to 2018

statista



# Non solo “NPLs”, anche di “UTPs”

Value of unlikely-to-pay loans of the banking system in Italy as of the 1st quarter of 2020, by client type (in million euros)

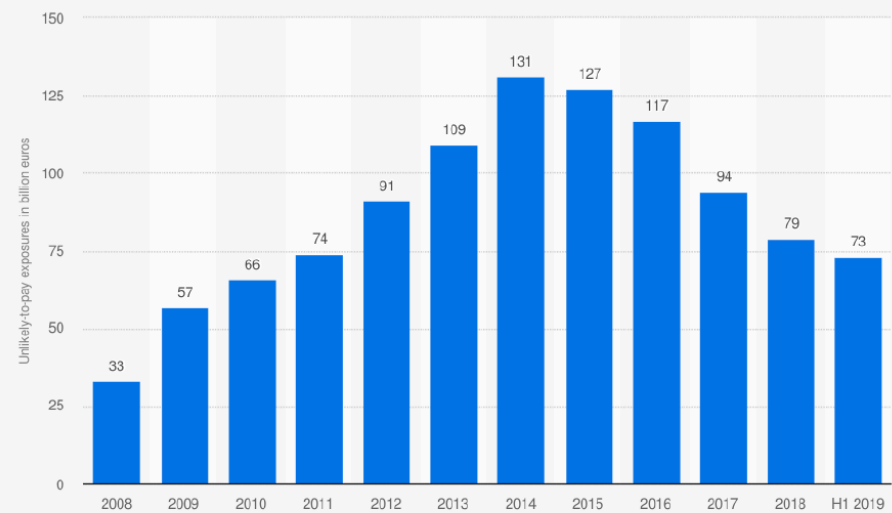


Source:  
Banca d'Italia  
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Additional Information:  
Italy; Q1 2020

statista

Gross unlikely-to-pay exposures in Italy from 2008 to 1st half of 2019 (in billion euros)



Source:  
PwC  
© Statista 2021

Additional Information:  
Italy; PwC; Banca d'Italia; 2008 to H1 2019

statista

# La gestione efficace del credito deteriorato incide “solo” sulla componente idiosincratICA

THE EUROPEAN JOURNAL OF FINANCE  
<https://doi.org/10.1080/1351847X.2020.1794923>

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## Benchmarking non-performing loans

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### ABSTRACT

This paper provides a new perspective to evaluate the economic role played by banks in non-performing loans (NPLs) accumulation. We estimate benchmark NPL levels on the judicial inefficiency dimension, controlling for country- and bank-specific factors. To this aim, we first empirically establish whether judicial inefficiency is a key determinant of NPLs in the European banking system for the period 2006–2017. Using the dynamic-Generalized Method of Moments estimations, we show that higher contract enforcement inefficiency increases NPLs. Then, we estimate NPLs benchmark levels using a dose response function based on judicial inefficiency. Our results show that Norway, Sweden, and Italy performed better than the European countries, while Austria, Germany, Spain, Ireland, Cyprus, and Greece performed worse than the European mean. Our results have several policy implications.

### ARTICLE HISTORY

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### KEYWORDS

Non-performing loans;  
European banking financial  
stability; benchmarking

JEL CLASSIFICATIONS  
E32; G21; G28; C23

## 1. Introduction

Non-performing loans (NPLs) were relatively low and stable across most EU countries until the start of the Great Financial Crisis in 2008. Since then, the credit quality of the loan portfolio has declined sharply, and NPLs reached 11.8% of total loans (i.e. nearly €1 trillion). The sharp increase in the NPLs reduced bank profitability and increased bank failures (Casu, Girardone, and Molynaux 2015). In some cases (e.g. Spain), the burden of NPLs required government intervention to set up a ‘bad bank’ with the aim of cleaning up bank balance sheets (Schaeffer and Zimmermann 2009; Laeven and Valencia 2010; Jiang, Kanas, and Molynaux 2018). Reinhart and Rogoff (2010) argue that NPLs can be used to establish the onset of a banking crisis. Moreover, the deterioration of loans quality hampered the ability of the banking system to supply credit (Tarazi et al. 2018), reducing economic efficiency and activity (Barseghyan 2010). Thus, understanding the key drivers of NPLs growth is of utmost importance for policymakers, regulators, and bank managers.

There is well-established literature that focuses on the NPLs determinants (see, among others, Berger and Udell 1997; Salas and Saurina 2002; Louzis, Vouldis, and Metaxas 2012; Macit 2012; Messai and Jouini 2013; Cetorelli 2014; Makri, Tsagkanos, and Bellas 2014; De Nicolò, Boyd, and Rodionova 2019). This literature highlights two different categories of determinants: country-specific factors (e.g. GDP, inflation rate, unemployment, etc.) and bank-specific factors (e.g. profitability, capitalization, loan growth, etc.).

Our paper aims to provide a new perspective in evaluating the economic role played by banks in the NPLs accumulation process. The traditional approach (followed by regulators, practitioners, and academics) focuses on the absolute levels of NPLs to evaluate the responsibility of the banking system. We propose a different approach, based on a new methodology, that focuses on the estimation of benchmark NPL levels based on judicial inefficiency and controlling for country- and bank-specific factors. Then, we focus on the gap between actual and benchmark levels of NPLs to assess the role played by the banking system in the NPLs accumulation process.

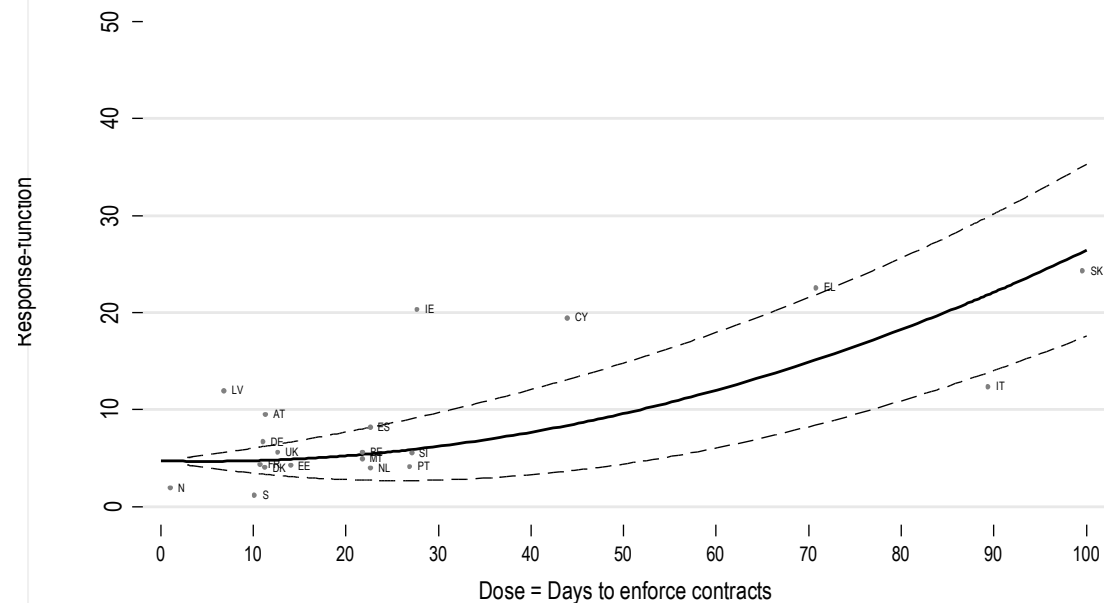
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<sup>†</sup>The views expressed in this study are not necessarily those of the Italian Banking Association.

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## Dose Response Function

Outcome variable: npl



## Un sistema giudiziario efficiente è cruciale per gestire gli NPLs

### Efficiency of resolving a commercial dispute

Location	Time (days)	Filing and service	Trial and judgment	Enforcement of judgment
Singapore	164	6	118	40
New Zealand	216	7	167	42
Russia	340	60	160	120
United States (NY)	370	30	240	100
Austria	397	30	277	90
Iceland	417	45	292	80
United Kingdom	437	30	345	62
France	447	22	325	100
Sweden	483	28	365	90
Denmark	485	30	365	90
Germany	499	29	380	90
Belgium	505	15	400	90
Malta	505	15	365	125
Spain	510	50	280	180
Netherlands	514	10	442	62

Location	Time (days)	Filing and service	Trial and judgment	Enforcement of judgment
Ireland	650	60	500	90
Cyprus	1100	20	900	180
Italy	1120	10	840	270
Trinidad and Tobago	1340	85	1195	60
Guatemala	1402	66	796	540
Bangladesh	1442	30	1047	365
India	1445	45	1095	305
Afghanistan	1642	40	1420	182
Greece	1711	60	1400	251
Guinea-Bissau	1785	90	1095	600

Fonte: The world bank – Doing business

# Un sistema giudiziario efficiente è cruciale per gestire gli NPLs

**TABLE IV – The impact of contracts enforcement reforms on *NPLs ratio***

Table IV reports the difference-in-differences results from estimating Equation [1] when the four reforms are considered jointly (Panel A) and separately for each reform (Panel B). In Panel A the treatment group includes banks located in Austria, Belgium, Norway and Sweden. In Panel B the treatment group includes all banks of just one treated country at a time. In both tables, the control group includes all banks located in the European countries that have never implemented enforcing contracts reforms between 2007 and 2016 (i.e., Denmark, Finland, France, Germany, Malta, Netherlands, and Slovenia). The dependent variable is *NPLs ratio*. *Post* is a dummy equal to 1 in the post-event period. *Treated* is a dummy equal to 1 if the bank belongs to the treatment group. *Trend* denotes a time trend variable. The pre-event period spans the years 2004-2006 in the case of Austria and Belgium and the years 2005-2007 in the case of Norway and Sweden. In each table, column (1) controls only for bank and year fixed effects; column (2) also controls for potentially different linear trends between treated and control banks; column (3) includes a control variable (i.e., banks and year fixed effects, bank controls, country controls, and linear trends variables). Country and bank controls are described in Table II and are lagged by one year with respect to the dependent variable. Robust standard errors are clustered at the country level and are reported in parentheses. \*\*\*, \*\*, and \* imply significance at the 99% level, 95% level, and 90% level, respectively.

**Panel A: DID results when the four reforms are considered jointly**

	(1)	(2)	(3)
Post × Treated	-2.67*** (0.41)	-2.77*** (0.52)	-2.62*** (0.42)
Bank fixed effects	yes	yes	yes
Year fixed effects	yes	yes	yes
Trend × Treated		yes	yes
Country controls			yes
Bank controls			yes
Number of banks	440	440	440
Observations	1907	1907	1907
Adj. R2	0.85	0.85	0.85

**Panel B: DID results separately for each reform**

	Austria-2007			Belgium-2007		
	(1)	(2)	(3)	(1)	(2)	(3)
Post × Treated	-2.39*** (0.30)	-3.15*** (0.13)	-3.26*** (0.36)	-1.06*** (0.29)	-2.01*** (0.25)	-2.37*** (0.14)
Bank fixed effects	yes	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes	yes
Trend × Treated		yes	yes		yes	yes
Country controls			yes			yes
Bank controls			yes			yes
Number of banks	212	212	212	213	213	213
Observations	731	731	731	742	742	742
Adj. R2	0.82	0.82	0.83	0.82	0.82	0.83

	Norway-2008			Sweden-2008		
	(1)	(2)	(3)	(1)	(2)	(3)
Post × Treated	-2.79*** (0.46)	-2.36*** (0.52)	-1.69*** (0.62)	-2.69*** (0.45)	-3.28*** (0.54)	-3.44*** (0.76)
Bank fixed effects	yes	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes	yes
Trend × Treated		yes	yes		yes	yes
Country controls			yes			yes
Bank controls			yes			yes
Number of banks	344	344	344	308	308	308
Observations	1316	1316	1316	1202	1202	1202
Adj. R2	0.87	0.87	0.87	0.85	0.85	0.86

## Last but not least ... uno straordinario panel di relatori

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