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Economic Comment

On the effect of EU funds on loan sales

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The increase in utilisation of EU funds in the first months of 2025 may raise questions how the 2021 – 2027 Cohesion Policy will affect sales of business loans. To answer this question we have analysed the relationship between EU funds and bank loans as sources of business funding. Our results suggest that EU funds and bank loans are complementary sources of funding and that an increase in the volume of signed contracts for EU funding by PLN1bn corresponds to an increase in the volume of sales of business loans by c. PLN0.5-0.6bn.

Introduction

The increase in utilisation of EU funds in the first months of 2025, which we have described in our last [MACROscope](#), suggests that the 2021 – 2027 Cohesion Policy is beginning to bear tangible results. In the Polish banking sector, these developments may raise questions how EU funds affect sales of business loans. Are they a substitute of loans and crowd them out as a source of funding, or do they complement loans and allow companies to undertake bigger investment projects?

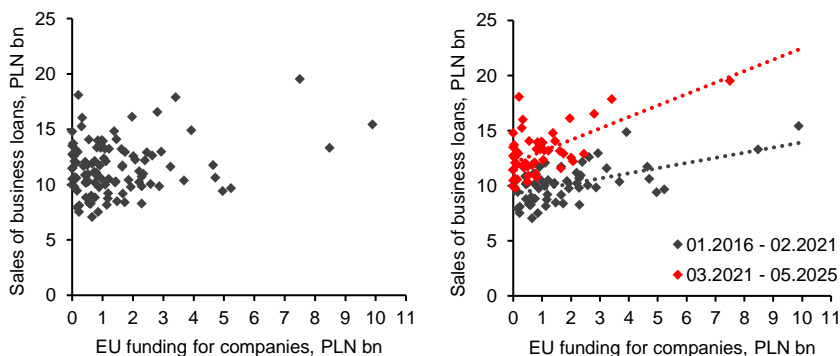
The goal of this Economic Comment is to assess the relationship between EU funds and bank loans as sources of business funding. Our results suggest that EU funds and bank loans are complementary sources of funding and that an increase in the volume of signed contracts for EU funding by PLN1bn corresponds to an increase in the volume of sales of business loans by c. PLN0.5-0.6bn. This positive relationship may stem from the fact that EU funds cover only about half of the costs of the projects for which they are granted to companies. Therefore, in order to implement the projects companies must cover the other half of the costs with funds from different sources. Our results suggest that about half of these missing funds may be sourced in the form of bank loans.

A look into the data

The analysis presented in this article is based on two time series. The first of them is the NBP's data on the value of new loan contracts for nonfinancial companies. The second is the Ministry of Funds and Regional Policy's data on the value of funding granted to companies under the 2014 – 2020 and 2021 – 2027 financial frameworks of the European Union.

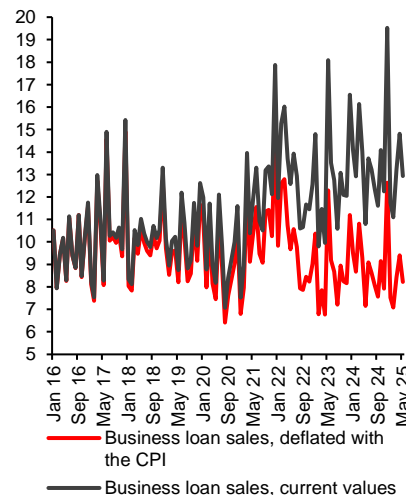
Presenting both series on a graph may suggest at the first glance that they do not exhibit any clear relationship. This seeming lack of connection is the effect of the increase in the average volume of corporate loan sales in the years following the pandemic, most likely due to the increase in the price level.

The relationship between corporate loan sales and EU funding for companies



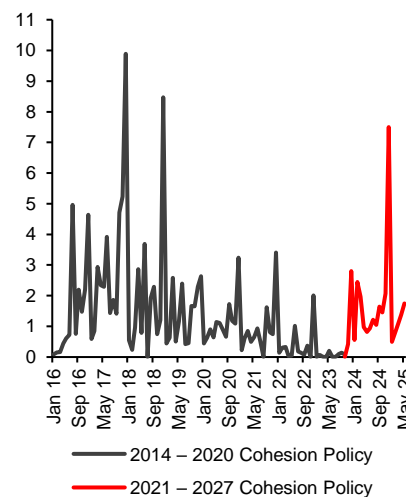
Regression lines fitted to non-outliers.
Sources: NBP, MFIPR, Santander

Monthly sales of business loans, PLN bn



Source: NBP, GUS, Santander

Monthly values of signed contracts for funding for companies from Cohesion Policies, PLN bn



Source: MFIPR, Santander

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Although both series are expressed in nominal terms, the average value of EU funding received by companies did not increase similarly. This was mainly due to the reduction of the budget of the Polish Cohesion Policy programmes from around EUR111.1bn in the 2014 – 2020 financial framework to around EUR91.6bn in the 2021 – 2027 financial framework (after taking into account both EU co-financing and national subsidies).

Splitting the data into two subsamples allows to control for the effect of the change in the average level of loan sales and reveals the almost-unadjusted relationship between the two series. The relationship suggests that in the months when companies were granted higher values of EU funding, generally higher values of new loan contracts were also registered.

Econometric evidence

In order to estimate the true relationship between sales of business loans and EU funding granted to companies, additional macroeconomic factors that can affect both the volume of loan sales and the volume of granted EU funding need to be controlled for.

The econometric analysis carried out for the purpose of this article focuses primarily on two such factors: the average level of interest rates on new loans to non-financial companies, and economic sentiment. The first of these factors should be relevant because, as we show later in the article, EU subsidies do not fully cover the costs of the projects for which they are granted, forcing companies to find additional sources of funding. And since companies need to allocate additional funds – perhaps internal, perhaps borrowed – to their projects, they need to assess their decisions to launch these projects in the context of the current and projected economic conditions.

In examining the relationship between EU funding and loan sales, we used more than a dozen specifications of the regression equation. These specifications differed in the combination of control variables, the choice of economic sentiment indicator, the presence of lagged values of signed contracts for EU funding, and the frequency of the data. In order to clean the data from the effect of inflation, in all specifications we used loan sales and EU funding data deflated with the CPI.

Our results can be summarised by three observations. Firstly, irrespective of the specification of the regression equation, evidence based on monthly data suggests that an increase in the value of EU funding granted to companies by PLN1bn leads to an increase in sales of business loans in the same month by c. PLN0.6bn. For each specification of the regression equation, this result is statistically significant at the 1% level.

Secondly, inclusion of lagged values of granted EU funding in the regression equation suggests that two months after an increase in the value of granted EU funding by PLN1bn, loan sales fall by c. PLN0.2bn. Depending on the specification of the regression equation, this result is statistically significant at the 5% or the 10% level.

Finally, evidence based on quarterly data indicates that an increase in the value of granted EU funding by PLN1bn leads to an increase in loan sales in the same quarter by around PLN0.5bn. This result appears consistent with previous observations and is statistically significant at the 5% level.

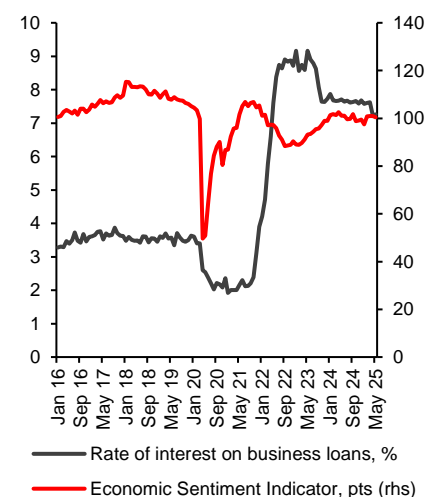
It is worth mentioning that none of the regression equation specifications we tried indicated that the relationship between the volume of EU funding granted to companies and the volume of business loan sales is negative.

We present the detailed results of the selected regression models in the technical appendix at the end of this article.

Why are EU funds and bank loans complementary?

The complementarity of EU funds and bank loans as sources of funding for companies stems from the fact that EU funds do not fully cover the costs of the projects for which they are granted, which forces companies to seek additional sources of funding. For example, according to data from the Ministry of Funds and Regional Policy, at the end of May 2025, the value of projects implemented by companies under the 2014 – 2020 Cohesion Policy exceeded PLN234bn, but the value of the funding granted to them equalled a bit below PLN128bn, or around 55% of the value of the projects.

Interest on business loans and the Polish Economic Sentiment Indicator



Source: NBP, EC, Santander

The results of our analysis indicate that companies can raise around half of the missing funds in the form of a bank loans.

Implementation of EU funds in Poland in 2014 – 2020, values as of 31.05.2025

	Companies	Local governments	Central government	Other	Total
(1) Value of projects, PLN bn	234.1	158.9	137.7	64.4	595.1
(2) Value of funding, PLN bn	127.6	112.4	94.0	52.8	386.9
(2) : (1) ratio	0.55	0.71	0.68	0.82	0.65

Source: MFIPR, Santander

How will the 2021 – 2027 Cohesion Policy affect loan sales?

Do our results mean that the implementation of the new Cohesion Policy will contribute to an increase in demand for business loans in the coming quarters? Probably, although only to a fairly limited extent.

Our results suggest that most of the increase in demand for loans related to the new Cohesion Policy may have been realised in 2024, in which, according to the data of the Ministry of Funds and Regional Policy, contracts for funding for businesses signed under the new Cohesion Policy amounted to c. PLN23bn. That result was c. PLN18bn higher than in 2023 and, in line with our results, may have motivated sales of additional PLN9bn of business loans.

Extrapolating future contracting on the basis of the implementation of the previous financial framework, it can be expected that the value of EU funding contracted by businesses over the course of 2025 will be slightly higher than in 2024, probably close to PLN25bn (after adjusting for the over six-month delay in the implementation of the 2021 – 2027 Cohesion Policy, as well as its smaller budget). An increase of this magnitude would mean, according to our results, that sales of business loans motivated by the need for financing of projects implemented under the new Cohesion Policy could reach a bit above PLN10bn in 2025. Compared to the total volume of outstanding business loans, it would constitute an increase of a bit more than 0.1% y/y. We expect that the overall increase in the volume of business loans will equal c. 7% y/y.

From 2026 onwards, the contribution of the new Cohesion Policy to loan sales will likely begin shrinking.

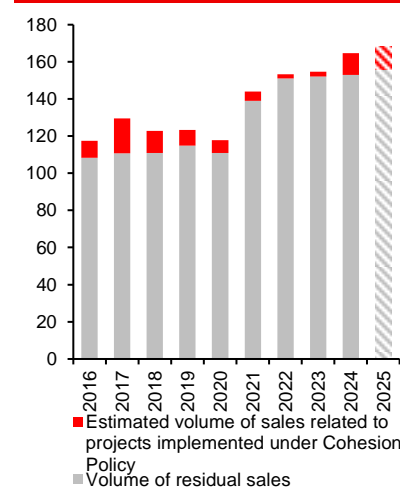
It should be stressed that a source of uncertainty for the above projections is the impact of the RRF, which is beyond the scope of this article.

Implementation of EU funds in Poland in 2021 – 2027, values as of 31.05.2025

	Companies	Local governments	Central government	Other	Total
(1) Value of projects, PLN bn	56.1	48.6	50.1	41.7	196.5
(2) Value of funding, PLN bn	33.9	38.1	39.6	34.7	146.4
(2) : (1) ratio	0.60	0.79	0.79	0.83	0.74

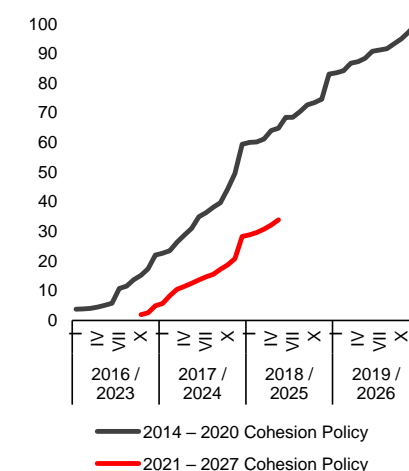
Source: MFIPR, Santander

Business loan sales, PLN bn



Source: NBP, Santander

Funds granted to companies under Cohesion Policies, cumulative, PLN bn



Source: MFIPR, Santander

Technical appendix – results of selected regression models

	Business loan sales, PLN bn			
	Monthly data		Quarterly data	
	(1)	(2)	(3)	(4)
EU funding, PLN bn	0.58***	0.59***	0.46***	0.49***
	(0.09)	(0.09)	(0.16)	(0.15)
EU funding, PLN bn (T-1)	-0.00	-0.00	-0.11	-0.09
	(0.10)	(0.19)	(0.15)	(0.15)
EU funding, PLN bn (T-2)	-0.18*	-0.20**	0.03	0.01
	(0.10)	(0.09)	(0.16)	(0.14)
EU funding, PLN bn (T-3)	0.08	0.05	0.02	-0.06
	(0.09)	(0.09)	(0.15)	(0.14)
ESI, pts		0.04***		0.04**
		(0.01)		(0.02)
Rate of interest on business loans, %		-0.11***		-0.12**
		(0.04)		(0.05)
Constant	9.56***	9.55***	9.57***	9.53***
	(0.14)	(0.14)	(0.17)	(0.16)
Observations	110	110	34	34
R²	0.29	0.36	0.29	0.48
Adjusted R²	0.26	0.33	0.19	0.37
Residual std. error	1.48	1.42	1.01	0.89

Notes: *** Statistically significant at the 1% level

** Statistically significant at the 5% level

* Statistically significant at the 10% level

For models (3) and (4), the explanatory variable is the average value of loan sales per quarter.
The designation (T-n) indicates a lag of n months for models (1) and (2) and a lag of n quarters for models (3) and (4).
For models (2) and (4), the reference rate was used as an instrumental variable for the rate of interest on business loans. The loan rate and the reference rate were adjusted for CPI inflation.
Source: Santander

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