

THE ATTITUDE OF ROMANIAN BANKS TOWARDS AGRICULTURAL CREDIT

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Abstract: Commercial banks in Romania have restricted the access to credit for agricultural farms. Banks have imposed eligibility criteria, difficult to realize in agriculture. In the financial and economic analysis, banks take into consideration the risks in agricultural activity. This research proposes an analysis of the dynamic evolution of loans for agriculture. In the period of 2011-2015, banks credits for agriculture have a small share in total credits offered by the commercial banks. Lack of flexibility and guarantees required by banks have restricted access to credit for agricultural farms.

Key words: Commercial banks, agricultural farms, bank credits, dynamic analysis.

INTRODUCTION

During this period, one of the main problems faced by Romanian agriculture is the insufficiency of financial resources. Bank credit is an important source of funding. Agriculture, which is the main branch of material production, cannot remain outside the crediting process. Due to the need of financial resources, specialists had to deal with problems regarding the improvement and continuation of the system of subsidies and granting credits for production and investment in the agricultural sector, with low interest. Agricultural credit represents a great necessity due to the lack of material and technical, inventory and capital base in agriculture in general, but especially for new established agricultural farms. Also, the particularities and specific of production processes in agriculture lead to a greater need of credits in this sector than in other sectors of the economy. There are situations when agricultural credit represents the only solution for the establishment of an agricultural farm, equipped from the beginning with the strictly necessary means of production and work. The need for credits in agriculture is higher than in other economic sectors due to the following considerations:

- The biological laws that govern the production process in agriculture lead to a much slower regeneration of funds, capital, than in other branches of production and therefore the need for credit is higher;
- The immobilization of funds in agriculture is higher than in other economic sectors, and farmers' equity is not enough;
- Land is expensive, but necessary and represents the main means of production. Buying land is a growing necessity for agricultural farms because large farms are more viable and favorable to an intensive agriculture.

Considering the role and importance of bank credits for agriculture, this research aims at analyzing the attitude of Romanian commercial banks regarding agricultural credits. In Romanian economy, agriculture is a basic branch, extremely important. Therefore, it is interesting to analyze the attitude of commercial banks regarding this sector of activity with high risk. Banks' attitude aims at their reluctance in granting agricultural credits. The research also proposes an analysis of dynamic evolution of the value of credits, during the years 2011-2015, as well as their structural evolution on credit categories, granted to various sectors of activity.

MATERIALS AND METHODS

The main research subject is the dynamic evolution of the value of credits granted by credit institutions, as well as their structural evolution. In structure, credits are presented considering credit categories granted to various activity sectors. Credit categories represent the subject of classification.

The scientific research methods used in this paper are empirical and theoretical, respectively logical and mathematical. The paper uses the empirical research methods: enumeration, classification, quantification and evidence. The theoretical or logical and mathematical methods used are: analysis, synthesis, induction, deduction, comparison, formulation of hypotheses and speculation.

The paper uses as a research method the analysis of credits granted and assumed commitments by credit institutions, during the years 2011-2015, by sectors of activity. There are also analyzed the shares and structures of credits granted in 2014 and 2015. During the analyzed period there are also analyzed and compared the shares of credits for agriculture, forestry and fisheries in total credits. Other analyzed aspects refer to the share of credits granted in 2014 and 2015, on the seven sectors of activity, namely: industry, services, construction, agriculture (including forestry and fishery), activities of financial intermediation and insurance, public administration and defense (including social security in the public system, education, health and social assistance), as well as individuals.

Another research method used in this paper is the criteria method used in the classification of sectors benefiting from bank credits, the conditions for granting credits for agriculture, the elements that had constrained access to credit and risks in crediting agriculture and so on.

The research area includes the crediting activity of Romanian commercial banks and the dynamic evolution and structure of the volume of credits granted by them.

The main objectives for this study are:

- Determining the elements that led to the restriction of access to credit for agricultural farms;
- Outlining the aspects that define the attitude of Romanian commercial banks in respect to agricultural credit;
- Delimiting risks in crediting agriculture, risks that determine the reluctant attitude of banks towards agricultural credit.

The data used in this research are banking financial indicators presented by National Bank of Romania in its monthly Bulletin. These indicators are centralized on the entire Romanian banking system and cover all commercial banks of our banking system.

RESEARCH RESULTS

Bank credit represents an important financing resource for agriculture. The acute shortage of funds in agriculture may disrupt the preparation of agricultural campaigns and the resumption of agricultural production cycle.

The dynamic analysis of credits granted by commercial banks (credit institutions) during the period 2011-2015, to the main sectors of the Romanian national economy is presented in the Table 1.

Table 1

Credits granted and assumed commitments by credit institutions (Million Lei)

Year	Total amounts granted, of which:	Industry	Services	Construction	Agriculture, forestry, fishery	Share of credits for agriculture in total credits
2011	300 698	56 816	82 875	34 058	10 009	3,33%
2012	307 570	57 909	83 340	33 082	11 331	3,68%
2013	305 956	57 929	81 816	32 226	11 259	3,68%
2014	314 132	61 538	81 872	31 611	12 211	3,89%
2015	330 802	63 996	83 971	31 272	12 750	3,85%

Source: National Bank of Romania, Monthly Bulletin, January 2016, pp. 64

The extremely low share of credits for agriculture in total credits granted by commercial banks, averaging around 3,69% during 2011-2015, outlines a reluctant attitude of Romanian banks regarding agricultural credit and their low involvement in financing the agricultural sector. Agricultural farms have restricted access to bank credits due to the fact that banks look at agriculture with distrust, considering it an economic sector with high risk. Another extremely important aspect that led to this situation is that, in respect of granting credits, most banks only address farmers with legal personality. A very small number of banks grant credits also to individuals.

In 2014, only 12 commercial banks were enrolled in APIA (Agency for Payments and Intervention in Agriculture) to finance agricultural farmers through credits guaranteed by the state. Agricultural credits guaranteed by the state aimed at approximately 30.000 farmers. The number of commercial banks interested in crediting agricultural farmers, that concluded an agreement with APIA, was 7 in 2013, respectively 12 banks in 2012. Banks grant credits to farmers based on subsidies which they are expected to receive. However, for banks, the certificate issued by APIA doesn't represent insurance, because if the farmer does not receive the subsidy, meaning the money doesn't come, banks are the ones that incur the loss.

Agricultural banks, credit applicants, face in their work with a series of risks, namely: financial risk, operating risk, market risk, legal risk, risk of natural disasters, the risk of seasonality of agricultural production and so on. The multitude of risks that have to be managed efficiently, give a unique specificity to the agricultural sector.

The elements that had constrained access to credits for agricultural farm primarily target:

- The reluctant attitude of banks to become involved in this sector of activity, considered high risk;
- The need of co-financing investments in agriculture and the lack of own funds needed;
- Lack of flexibility of banks in handling insurers' guarantees;
- Not fulfilling creditworthiness indicators requested by the bank, calculated based on the financial performance of agricultural farms;
- The seasonal nature of agricultural production and income fluctuations;
- Natural calamities that can affect both the vegetal sector, as well as the livestock sector, and so on.

The attitude of commercial banks in Romania regarding agricultural sector is more significant emphasized if we analyze the structure of credits by sectors of activity. The credits granted by credit institutions during the years 2011-2015 were directed to the following sectors of activity: Industry; Services; Construction; Agriculture, forestry and fishery; Activities of financial intermediation and insurance; Public administration and defense, social security in the public system, education, health and social assistance; Individuals.

The structure of credits granted by sectors of activity and their share in total amounts granted, in 2014 and 2015, is presented in Table 2. From the analysis of the credits granted by sectors of activity, results that agriculture, forestry and fishery have the lowest share, compared to the other sectors of activity respectively only 3,89% in 2014 and 3,85% in 2015. The major share is owned by credits granted by banks to individuals, followed by credits granted in services, industry and construction sectors. Agriculture has, both in absolute and relative figures, a very small volume of credits granted by commercial banks. If in 2014, the volume of these credits was 12.211 million Lei; in 2015 it rises to 12.750 million Lei, respectively with only 539 million Lei. Although there is an increase in the volume of credits of 539 million Lei in 2015 compared with 2014, their share in credits for agriculture, forestry and fishery declines by 0.04%.

Table 2

The structure of credits granted by sector of activity (Million Lei)

Sectors of activity	Amounts granted in 2014	Percentage in 2014 (%)	Amounts granted in 2015	Percentage in 2015 (%)
Total amounts granted, of which:	314 132	100%	330 802	100%
• Industry	61 538	19,59%	63 996	19,35%
• Services	81 872	26,06%	83 971	25,39%
• Construction	31 611	10,06%	31 272	9,45%
• Agriculture, forestry and fishery	12 211	3,89%	12 750	3,85%
• Activities of financial intermediation and insurance	6 779	2,16%	7 119	2,15%
• Public administration and defense, social security in the public system, education, health and social assistance	16 059	5,11%	15 726	4,75%
• Individuals	104 061	33,13%	115 968	35,06%

Source: National Bank of Romania, Monthly Bulletin, January 2016, pp. 64 (processed data)

During the analyzed period, the total volume of credits granted by commercial banks on all sectors of activity increases from 314.132 million Lei in 2014 to 330.802 million Lei in 2015, respectively with 5.31%.

From the analysis performed results an increase in commercial banks' reluctance in granting credits for the agricultural sector.

CONCLUSIONS

In the Romanian economy, agriculture is an extremely important basic branch and with a great necessity of funding. Agricultural credit represents an important funding resource for agriculture. Therefore, it is essential that banks manifest less reluctance in funding agricultural farms.

The research carried out outlines the clearly reluctant attitude of commercial banks in granting credits for agriculture during the analyzed period.

The acute necessity for credits in agriculture should be considered by commercial banks as an opportunity to achieve their placements. The risks specific to agricultural credit can be managed efficiently both by the banks, as well as by the beneficiary customer. This requires greater flexibility of instrumentation, analysis and assessment procedures for agricultural credit, as well as flexibility in selecting and consolidating insurers' guarantees. Agricultural credit can also improve quality and structure of the credit portfolio of large commercial banks.

In the context of ensuring food security, agricultural credit can provide banks a central position in a globalized world economy.

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