

## KNOWLEDGE OF POTENTIAL/ACCESSIBILITY OF FINANCIAL CREDITS IN RURAL AREAS IN OLT COUNTY

Corina CRUCERU

University of Agricultural Sciences and Veterinary Medicine, Bucharest, Romania,  
Faculty of Management, Economic Engineering in Agriculture and Rural Development, Slatina  
Branch, 150, Strehareti Street, Zip Code: 0500, Slatina, Olt County, România, Email:  
c.cruceru@yahoo.com

*Corresponding author:* c.cruceru@yahoo.com

### Abstract

*The orientation of research activity of present situation regarding the current level of financial credit in rural areas of the Olt county required to carry out investigations on both the borrowers (farms) and the lenders (banks, financial institutions) in the county. As working methods were used questionnaires, questions being designed specifically for borrowers and lenders. The questionnaire contained 32 questions. There have been investigated households from Slatina and Caracal rural areas in Olt county. All elements presented for rural areas in the Olt county revealed the local,s attitude and behavior In taking loans, with insignificant differences between Slatina and Caracal rural areas.*

**Key words:** activities, agricultural, county, financial, rural areas

### INTRODUCTION

The orientation of research activity of present situation regarding the current level of financial credit in rural areas of the Olt county, required to carry out investigations on both the borrowers (farms) and the lenders (banks, financial institutions) in the county. The working methods were systems and forms of using questionnaires in financial lending in rural areas in the Olt county. The investigation aimed at knowing the characteristics of financial credit, that is why the questionnaire was focused on two main points: intrinsic knowledge of forms of credit and identifying opportunities of such loans for both borrowers and lenders. The objectives of the study were related to the need for knowledge and quantitative and qualitative assessment of the credited impact on suitable development in the Olt county and on the perception of these services. These objectives have resulted in the following major targets: knowledge of the current situation, the perception of credit, needs assessment of current and potential beneficiaries of credit and recording their expectations, suggestions and ideas in order to improve the future financial credit activity. [2]

### MATERIALS AND METHODS

The questionnaire has watched priority issues on lending as a tool for rural development in this county. The most significant aspects targeted:

- precise understanding of loan applicants, demands and needs;
- analyzing of loan application;
- loan amounts delimitation;
- credit sources and reasons for their choice;
- loan security;
- existence/use of private savings and bank credit implications in rural households (borrowers);
- use of credit for certain areas;
- identify the main reasons for the low level of credit application.

The number of questions (as order and form for all subjects) was defined according to the objectives previously mentioned and information was obtained using a questionnaire.

The questions were structured in two sections, namely for borrower (rural household) and lender (bank), focused on the following aspects:

- a) for the borrower there were released questionnaires watching potentials/credit

offers for the persons interested in that, in the Olt county, according to the following aspects:

- socio-demographic characteristics of population, professional knowledge and territorial spacing households
- knowledge of the main activities of the households
- offer and interest in financial credit and its accessibility
- diversity and level of the agricultural/non-agricultural activities carried out after crediting
- membership in the local association of households

b) for lenders, the target aspects were forms/characteristics/possibilities of credit supply of banks for rural applicants the main aspects regarding:

- how the credit services in rural areas in the Olt county were accepted;
- specific problems in knowing and promoting financial education for credit consumers in rural areas in the Olt county;
- forms of lending and consulting on loans;
- results of lending programs undertaken by banks.

The purpose of the research was: a) to find out the main characteristics of the households that accessed the funds; b) to estimate the resulted income obtained in the households after accessing the funds. There have been investigated twelve households from two areas in the Olt county, Slatina and Caracal. Then, there has been investigated the potentiality of credit offer for every of the twelve households. [7]

## RESULTS AND DISCUSSIONS

The information collected allowed knowing the present situation but also the tendency for the credit offer in the area. The questionnaire included 32 questions and the answers collected showed the following aspects:

a) socio-demographic characteristics, professional knowledge and territorial spacing households revealed that:

- there are more than two persons in each household, most of them having middle school or high school education,

- the active population is of maximum 2 persons in each household, but in many cases one of them is working elsewhere,

- most households are at less than 1 km from the center of the village and the distance from the nearest town is of 5-20km,

- the villages have means of transport and an asphalt main road.

b) the main activities of the households are as follows:

- agricultural activities, the agricultural area being of 1000 to 5000 metres,

- the main species of domestic animals in the households are cows, sheep and poultry,

- the products obtained are used for their own consumption or retailed,

- the energy for non-agricultural activities is mechanical and manual,

c) the offer and the interest on lending and credit availability for rural households reveal:

- sources of money required for an initiative or expansion of non-agricultural activities are their own or obtained from grants and programs,

- most householders are willing to take loans as they are familiar with investment credits,

- the destination of the loans is acquisition of agricultural equipment,

- the products obtained from credit fructification are sold wholesale or retailed,

- most respondents disagree with the restrictions in lending imposed by banks.

d) professional knowledge, interest and membership in local forms of association of the surveyed households revealed:

- in most households there is great interest in practicing agricultural and non-agricultural activities for which the production capacities are existing,

- practicing these activities is desired but it is also desired a form of payment,

- it is considered only partially that non-agricultural activities can be a way of economic development for rural communities.

The results of the study allow to identify the socio-demographic and financial aspects and characteristics for lending in rural areas in the Olt county. These aspects can be outlined as follows:

- expansion of credit levels is desired for all forms of agricultural/non-agricultural activities in rural areas of the county. In an early form, this can be done through objective knowledge of payment capacity of potential borrowers. Financial liquidation is not a predominant element in the system of rural credit anymore but some aspects related to conditions of loan which could not been met by the applicants still persist, such as: lack of guarantees, insufficient income, lack of property title to their land or of other documents, outstanding debts, etc. [5]

- in the system of rural credit, banks are very much interested in customer's solvency/credit worthiness namely certainty of term repayment maturities. That is the reason why banks do not give loans if: the loan conditions are not met, procedure is considered too complicated when grants. [4]

- the main problem for the rural household is the possibility of payment of the loan, knowledge of pre-calculated interest when the loan is purchased and especially knowledge of post-calculated interest (which includes borrowing interest according to movements interest for loans). There are situations when the applicant has enough money but he is reluctant to take a loan because of the low level of associative phenomenon in rural areas or the interest rate is considered too high or the applicant does not trust the bank or does not want to have a credit. [6]

- projects in various programs revealed that State supports farms foundation, including on UE recommendations and regulations. The respondents are thus aware of lending possibilities with an affordable level of reimbursement.

- risk assessment has been an important issue for both borrower and lender, they have different points of view but the same main aim –profitable activities.

- credit impact on the area and on the business environment is a positive one. Access to credit is an obvious opportunity in the development of the rural area (development and modernizing of infrastructure through effects of urbanization boosts lending). There is also the possibility of increased comfort in the households, clean

environment, objectives and local traditional attractions, etc.

- both borrower and lender are thus interested in increasing production capacity and, as a result, increased use of workforce and increased production for the market. It is planned establishment of farms designed to gradually replace the small households based on self-consumption. This plan is also supported by legislation. [1]

- opportunity for production/investment loans is quite obvious, thus diminishing the negative influence of self-consumption production of small households. This can be achieved by applying intensive production system instead of extensive one and by investment allocation which allow better production conditions.

## CONCLUSIONS

All elements presented for the rural areas in the Olt county show the locals attitude and behavior in taking loans, with insignificant differences between areas of Slatina and Caracal. [9] There may refer to the level of professional training of people working outside the households, which is higher for Slatina area; subsidies, as financial sources for non-agricultural activities, are more required in Slatina area than in Caracal area; the type of guarantee required by the bank is a priority criterion in accessing credit by rural households in Caracal area; there is a clear tendency of non-agricultural activities to become a chance for growth and economic development of the households in the area and this is also the direction of orientation in activity for most respondents in Slatina area. [8]

All these aspects require knowledge of the behavior on financial market of loan applicants in rural areas. Some obstacles have also been encountered in the practical application of lending actions, obstacles which decreased the growth rate of lending activity in rural areas of Slatina and Caracal.

## REFERENCES

[1]Credit – the necessity and his role in modern economy;

[2]The forms of credit; [www.library.ase.ro/  
services/library](http://www.library.ase.ro/services/library)

[3]Agricultural Credit Act; 150/2003

[4]Alecu Ioan, 2007, The Management in agriculture, Publishing Ceres, Bucharest, p. 149

[5] Barbulescu Gheorghe, 1993, 120 years of credit for Romanian agriculture, Publishing Cons, Bucharest,

[6]Brendea Constantin, 2001, The Risk, the performance of bank credit in Romania

[7]Basno Cezar, Coin, Credit, Banks, Didactic and Pedagogic Publishing House, Bucharest

[8]Capraru Bogdan, The activity of banks, Beck Publishing House, Bucharest

[9]Dedu Vasile, 2001, Banking management, Bucharest, ASE Publishing House, pp. 83