

**PERCEPTION OF ROMANIAN BANKING SYSTEM BY THE BENEFICIARIES
OF RURAL DEVELOPMENT PROJECTS**

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ABSTRACT

Romania, being a Member State of the European Union since 2007, receives important amounts from the European Agricultural Fund for Rural Development of the EU for funding economic activities in the rural area. As the payments for the Community projects are settlement payments (i.e. the payments are settled in installments after being made, the entrepreneurs need forward funding for their investments, and, therefore, the banks play an important role in forwarding the funds for the projects, as well as in co-funding the eligible expenses.

This paper analyzes the way in which the beneficiaries of rural development projects perceive the assistance given by the Romanian banking institutions regarding the steps they must make in order to obtain a loan or to benefit of other necessary banking products or services for the implementation of their projects.

The research was carried out in Timiș County, between May and September 2016, on a sample of 96 interviewees, beneficiaries of rural development projects by the National Rural Development Programme 2007-2013. The data collection methods consisted of the survey made on the basis of a standardized questionnaire, using the "face-to-face" technique and the data collection interview method using the "face-to-face" interview.

Keywords: rural development projects, banking system, sample, survey.

INTRODUCTION

The sustainable development of rural areas is an important priority of the Community policy (CUNDER, 2007, BRADY ET AL., 2009, PELUCHA ET AL., 2017). The financial instruments of the European Union give the opportunity to capitalize on important financial resources for the economic, social and cultural development of rural area (FEHER ET AL., 2016, ZIMMERMANN AND BRITZ, 2016).

A special importance in the investment process in agricultural undertakings and in the rural area is given to the financial support granted from the European Agricultural Fund for Rural Development through the National Rural Development Programme (RAICOV ET AL., 2016). In accordance with version XVI of the NRP, Romania benefited of EUR 9290.5 million of public funds for the development of the rural area during the financial year 2007-2013, of which EUR 8097.2 million from the Community budget and EUR 1199.3 million from the national budget (MARD, 2015). For the period of time between 2014 and 2020, Romania provided a Community budget appropriation of EUR 8015 million for finding the rural development projects (MARD, 2016).

The expiry of the implementation period for the projects funded from European funds for the period of time between 2007 and 2013, including the two-year extension period, allows us to perform a correct analysis of the level of fund absorption of the National Rural Development Programme. For the NRP 2007-2013, 2689 were submitted in Timiș County, of which 1507 projects were selected (eligible projects) and 1381 projects were contracted until 8 June 2016, in accordance with the data provided by the Rural Investment Financing Office of Timiș County. As regards the absorption level reflecting the actual

fund consumption, this is higher in Timiș County for the majority of measures, as compared to the regional and national average. Thus, an absorption level of 100% is recorded in Timiș County for the measures: 322 "Village renewal and development", 312 "Support for the establishment and development of micro-enterprises" and 125 "Improvement and development of agricultural and forestry infrastructure". The fact that for these very important measures aiming to develop the rural infrastructure, the entrepreneurship and agricultural and forestry infrastructure, the county succeeded to successfully complete all projects and consume all contracted amounts is very good, as the payment for these projects had a total share of 38% of the total value of the payments made at the county level for rural development projects.

The aim of this paper is to assess the way in which the participants in the rural development projects perceive the relationship with the banking institutions operating in Romania. The issue was to identify the institutions that gave direct assistance for this purpose, the opinion on the service package cost, the general appreciation level, as well as the general opinion on the usefulness and effectiveness of the rural development projects.

MATERIAL AND METHOD

The research area of this paper was located at the level of Timiș County. The sample comprised 96 interviewees who benefited of rural development projects through the National Rural Development Programme 2007-2013. The field research was conducted between May and September 2016.

The data collection methods consisted of the survey made on the basis of a standardized questionnaire, using the "face-to-face" technique and the data collection interview method using the "face-to-face" interview. I have applied these methods among the beneficiaries of rural development projects in order to see their perception of the Romanian banking system and the way in which the banks support the co-funding process of European projects. The interview method is also a very good method in order to see the challenges the beneficiaries face during the process of project implementations.

This paper is part of a larger research within the Research Project for stimulating the establishment of young and independent research teams, named "Competitiveness, innovation and rural space development subject to European funds. Case Study in Timiș County, Romania".

RESULTS

Most often than not, the persons involved in projects or those aspiring to become involved in such activities cannot support financially the costs that they must bear. Thus, the financial support the banks can give is a frequently used instrument for supporting the activities.

The first question addressed to the persons who carry out funded rural development projects (96 interviewees), **the first question "For which measure did you submit a project?"**, analyzes from structural point of view the division per type of approached projects. Thus, ordering in decreasing order depending on the number of answers, we have:

1. Measure 112 "Setting-up of young farmers", 34 projects (35.4%)
2. Measure 312 "Support for the establishment and development of micro-enterprises", 18 projects (18.7%)
3. Measure 121 "Modernization of agricultural undertakings", 16 projects (16.6%)

4. Measure 322 "Village renewal and development", 13 projects (13.5%)
5. Measure 141 "Support of semi-subsistence agricultural farms", 9 projects (9.3%)
6. Measure 313 "Encouragement of tourism activities", 4 projects (4.1%)
7. Measure 125 "Improvement and development of agricultural and forestry infrastructure", 1 project (1%)
8. Others, 1 project (1%)
9. Measure 123 "Adding value to agricultural products", 0 projects (0%)

We see an increasing interest in those projects that support primary initiatives or entrepreneur debut, with over 54% of projects massed under the first two hierarchically ordered measures, i.e. Measure 112 and Measure 312. The attraction for tourist activities is no longer a focal point under the area analyzed. Only seldom do we find infrastructure enhancement and development projects or projects related to the increase in added value for agricultural projects among options of respondents. Explanations may be multiple, however, they clearly indicate a level of agricultural systems (and accessory sections) still a long way off maturity, with debut projects still being preferred to development projects.

For **question number 2 "What are the organizations having granted you support in accessing EU funds for agriculture and rural development?"**, after counting the answers given, we obtain the following list:

1. The Rural Investment Financing Agency RIFA (former Agency for Rural Development and Fishing ARDF), 53 answers (55.2%)
2. Advisory Companies, 27 answers (28.1%)
3. Agricultural Directorate for Rural Development, 8 answers (8.3%)
4. National Agricultural Advisory Agency/ County Agricultural Advisory Office, 4 answers (4.1%)
5. Professional Associations, 4 answers (4.1%).

RIFA/ARDF was encountered in more than half of people's answers and thus leads in a chart of organizations having granted support in the matter. Also, advisory companies played an important part in supporting the accession of projects to be funded.

Question number 3 "Have you ever resorted to a bank for the financial support of activities financed under the 2007-2013 NRDP?" generated the following answers: 62.5%, i.e. 60 people have called upon the services of a bank, compared to 37.5%, i.e. 36 people that have not resorted to banks.

The following set of questions, i.e. questions 4, 5, 6 and 7, was only addressed to such respondents having called upon a banking organization in view of financially supporting the activities provided under the project, i.e. 60 people.

Question number 4 indicates preferences for one bank or the other: "**Which bank offered you the best deal for financially supporting your project?**".

1. Banca Transilvania, 18 answers
2. BRD, 11 answers
3. BCR, 10 answers
4. Raiffeisen Bank, 8 answers
5. CEC Bank, 5 answers
6. UniCredit TIRiac Bank, 3 answers
7. Other, 5 answers

Banking financing mechanisms are quite diverse, at this time, thus offering entrepreneurs the possibility to select the right option from a wide range of services offered. Therefore,

question number 5 “What banking products and services have you benefited from?”, may indicate a potential chart of the usefulness for certain services offered.

1. Supporting loan for the pre-financing of investments provided under the project, 27 answers
2. Letter of bank guarantee, 13 answers
3. Special account for receipt of non-returnable financing received within the project, 12 answers
4. Investment loan for co-financing of the own contribution factor to the project, 4 answers
5. Loan for co-financing of non-eligible expenses, 2 answers
6. Comfort letter, 2 answers
7. Other, 0 answers.

User satisfaction concerning the aid offered by banking organizations was assed under **question number 6 “To what extent are you satisfied with the aid offered by banking organizations in supporting non-returnable financing projects? (1-completely dissatisfied, 5-very satisfied)“**. The 60 people having resorted to banking institutions have supplied, on a scale of 1 to 5, the following answers:

1. 48.3% (29 persons) granted 4 points
2. 33.4% (20 persons) granted 5 points
3. 11.6% (7 persons) granted 2 points
4. 6.7 % (4 persons) granted 4 points
5. None completely dissatisfied

Note that, technically, over 81% of answers range in the upper segment of satisfaction (4 and 5 points), quite the opposite to the answers provided for **question number 7 “How do you feel about the costs of service and product packages offered by banking organizations for implementation of European projects?”**, which noted that no respondent has perceived costs as being “low”. More than half (34 persons) deemed such costs “acceptable”, while 26 persons stated that costs were “high”.

In the latter part of the study, we wanted to find out the views of farmers related to the 2014-2020 programs. An analysis of upcoming options, **”For the 2014-2020 programs, are you interested in submitting and contracting NRDp projects?”**, was undertaken by **question number 8**. As such, 87 persons gave a positive answer (YES), while 37 said NO, which clearly indicated an increasing interest for such activities, in the future. For the purpose of interrogating the 87 persons on the type of project they intend to select, we asked **question no. 9 ”What kind of support/investment are you interested in submitting proposals for?”**. The answers were as follows:

1. Investment for modernizing commercial operations, 30
2. Infrastructure development in the rural environment, 17
3. Investment in non-agricultural activities, 14
4. Support for small family farms, 8
5. Support for groups of manufacturers, 3
6. Processing investment, 4
7. Other, 11.

On this occasion, options seem to drive towards a more mature stage: there is an increase in the tendency to approach modernization and development projects. Moreover, confidence in NRDp is high. For **question 10 ”What impact do you believe the NRDp to have on economic growth in Romania? (1-extremely low, 5-extremely high)”,** 69.6%

of individuals surveyed offer 4 or 5 points to this question, massing a majority of individual's answers in the upper area of the chart. The same is presented by the Box-Plot diagram in the figure below.

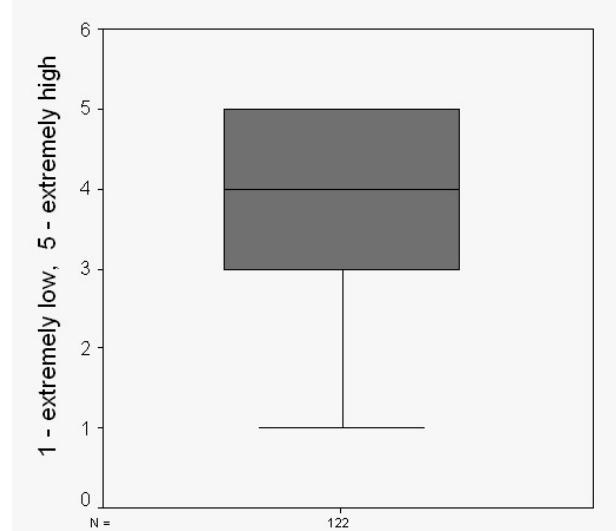


Figure 1. Impact of National Rural Development Programme 2007-2013 over the economic growth –Box Plot chart

CONCLUSIONS

- The banking system plays an important role in the process of absorption of the European funds. Opening of the banks by the beneficiaries or potential beneficiaries of projects, offering of financial and banking quality products and services and at acceptable cost, are incentive factors in the efficient investment of the non-reimbursable funds allotted to Romania by the European Union.
- The important role of banks in supporting and implementing the European projects arise also from this study, in which more than half of the respondents namely 62.5%, appealed to the services of a bank in their steps.
- The "closest"-to-client bank is Transilvania Bank, 18 respondents (30%) appealing to the services of this bank, followed by BRD Groupe Societe Generale and Romanian Commercial bank (BCR). That thing is explainable by the fact that Banca Transilvania has an important network of agencies also in the smaller localities from Romania.
- The most used financial and banking products and services were: supporting credit for pre-financing of the investments provided for in the project (45%), bank bond (22%) and special account for collecting the non-reimbursable grant within the project (20%).
- As concerns the satisfaction of the respondents concerning the help offered by the financial banking institutions, for supporting their projects, over 81% of the answers focus on the upper area of the degree of satisfaction, indicating the fact that the Romanian bank system is well perceived by the beneficiaries of rural development projects. It may be ascertained however, a certain discontent concerning the cost of the packages of services and the packages of products offered by the banks, 26 persons stating that such costs seem high. More than a half (34 persons) considered them "accessible", and neither of them stated that they are "small".

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