

Microfinance from the concept to reality in the actual context of sustainable development

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Abstract : *The concept of microfinance in Europe occurred in the 1800s when they developed several microfinance institutions in rural and poor urban areas. Microfinance represents that type of funding directed towards the real needs of the customer with the ultimate aim needs its (well-being) and not profit microfinance institution (credit cooperatives, NGOs, NBFIs, credit unions, popular banks, etc.). In the current context of sustainable development, microfinance is an active tool in fighting poverty worldwide top as the financing instrument closest to meeting the needs of the poor.*

*Currently result of the numerous challenges facing them, we are witnessing a new assignment of the concept of microfinance from structure **products** of microfinance, continuing with mode **planning**(distribution), it's for those in need (micro-finance digitization of M-Pesa system as),**promote** and how innovative users of information and not least microfinance cost (**price**). However compose **4Ps** of marketing mix microfinance in the current context of sustainable development. From courses of action presented for the next 15 years the UN General Assembly and corroborating our needs local, consider that for every microfinance granted decider microfinance should reflect the extent to which destination microfinance granted respond to the 4 pillars of humanity " 1. **People**- we have determined to end poverty and hunger, in all forms and their dimensions, and all human beings that not enough of can fulfil their potential in dignity and in a healthy environment and equality; determined 2.**Planet**-we have to protect the planet from degradation, including through sustainable consumption and production, sustainable natural resources and managing its taking urgent action on climate change, so it can that needs support the present and future of the generations; 3.**Prosperity** determined not enough-we have all human beings that can enjoy prosperous and fulfilling that lives and economic, social and technological progress occurs in harmony with nature; 4.**Peace**- we have determined to foster peaceful, just and inclusive societies free from fear and which is violence. **There can be no sustainable development without peace and no peace without sustainable development.**"*

Key words:*Microfinance, social and financial inclusion, poverty, family farms.*

JEL classification:

Q - Agricultural and Natural Resource Economics; Environmental and Ecological Economics

Q0 - Generate -Q01 - Sustainable Development

Q1 - Agriculture Q14 - Agricultural Finance

I. Introduction

Rural areas, as reported by the EU Rural Review, are estimated to generate 48% of the gross value of the EU economy and 56% of total employment in the Member States. A typique future is the presence of the rural economy small and medium enterprises (SMEs), many of which are micro-enterprises with a high percentage of self-employment jobs. As in all fields, the agriculture policies give decisive significance fair allocation of investment to agricultural production and productivity. Supporting these policies gives new models of microfinance adapted to the current environment of structuring the farm to the needs of small farmers, given that at present in Romania have over 2,500,000 small farms semi-subsistence, contributing directly and indirectly to sustainable development of the Romanian village.

Sooner or later, the Romanian financial system will be forced to align with the practices of countries with a developed system of agriculture microfinance to address innovative new models in microfinance through modern at the current time. After a period of searching and waiting, we're at the stage where we are obliged to approach the decisions that lead to the restoration of new principles and creating new institutions to provide loans for actors and local sectors vital to the economic consolidation of settlements and human welfare. It's about creating specialized microfinance institutions to finance economic entities with legal personality: non-banking financial institutions in rural areas to support crediting legal entities and individuals active: institutions

that conduct microfinance institution specialized education in rural areas. Capital required establishing such institutions should be ensured through government financial contributions for the payment to be repaid in time. Another very important aspect is to create innovative models of microfinance and continuous training of human capital involved in providing financial services in rural areas and in the financial education of those accessing microcredit. The decision makers at European and global level are now seeking funding to carry out micro-credit program in rural areas, concerns and decisions that can directly influence the development activities in rural areas through access to microcredit. To achieve this goal of establishing a rural microfinance innovative and coherent it would be desirable to start with what was good in areas of the credit system in Romania in the interwar period, especially the innovative models today's existing in some EU countries and creating our own innovative models of microcredit.

Currently globally 2.5 billion have no access to formal financial instruments, due to the fact that they are either unavailable or are not designed to meet their needs. If as do a parallel with the situation in Romania, currently about 2.5 million rural households are bankable. Poor rural households in need of financial instruments tailored to the needs and risk managers to respond cash flows of us everyday appliances. Because of their situation more precarious and volatile and uncertain income, the poor rural financial services tailored to needs both to survive and adapted for the development of agricultural and non-agricultural activities in the rural households in Romania. Innovative financial products can improve the lives and living standards by reducing risks, improving financial security and income, matching, microfinance to suit the specific needs of households involved in operations Crop and livestock, with a holistic approach to meet their needs, including providing technical assistance, supporting the value chain and providing market access to clients.

In support of ideas and points of view expressed in this paper, I consider it necessary to draw up some questions and considerations of alignment innovations in microfinance to rural and Romanian agriculture to actual existing trends both in the member states of the European Union and in emerging countries.

The first is whether the current level of development of rural microfinance Romanian economy supports new trends and objectives of the Common Agricultural Policy in the new stage of development? It guidelines CAP in order to achieve high technical performance, as well as some material consumptions and costs rising, the provision of stocks growing of agricultural products to give a new dimension to economic and social rural community development microfinance space rural development is the engine of small rural entrepreneurs. Opinion scientists and representatives of Romanian farmers is that the current state of affairs of the Romanian agriculture should determine factors influencers to promote a strategy to have other priorities, including the development of new integrated solutions for microfinance. It is profound restructuring and consolidation of agricultural holdings; The massive allocation of funds to ensure higher yields in crop production and especially in animal husbandry. However the idea of ensuring food security of the population and achieve availabilities for export.

Romanian natural fertility of soil, crops and livestock backed by health are two of the great opportunities to ensure the competitiveness of our products in the world markets, especially on the Romanian market.

Referring only to the determination of the major factors of rural development, I believe the forefront priorities should be to ensure a fair level of living of rural population and poverty elimination today comprising over 4.5 million people in the country. Absolute poverty affects particularly very rural area, ie where feed is produced. It seems incredible, but poverty pockets are located mainly in the most fertile agricultural areas of Romania, which is precisely where it operates most of landlords Romania. Social studies and statistics show that today almost 40% of rural inhabitants are exposed to ongoing famine.

By focusing on this issue stressful poverty, respect for the truth should be made clear that it still contains a limited part of the population.

Apart from the dire projections issued by some analysts by profession, specialists in rural areas continues to support the need for a true national development strategies agro who have as a starting point causes involution investment process in rural areas and especially those that put farmers unable to accumulate financial resources or access to microcredit / microfinance. Finalizing a strategy for economic development of rural areas must be based on the truth that, under the circumstances, a great chance to ensure food security of the nation lies in restoring production and trade in the area of family farms.

In the context of the reality of activities in rural areas Romanian, desideratum is akin to help develop models of microfinance to respond to these realities and to contribute to the current phenomenon of social inclusion and financial, as well as sustainable development of farms and support non-agricultural activities.

II. Materials and research methods

Regarding the methodology of research on microfinance, complexity and diversity of the issues addressed have required the use of methods, techniques, tools and procedures of scientific investigation and interpretation to which we attached particular importance:

- Documentation, namely accessing and studying general and specialized bibliography, domestic and foreign, state approach to knowledge issues investigated rural microfinance and scientific substantiation of the research;
- Rational method, used as an instrument of knowledge, reflection, analysis, organization and ongoing scientific research approach;
- Integration of forms, methods and logic operations research carried out through the use of analysis and synthesis, abstraction and concretization, comparison, generalization and systematization;
- Statistical methods, through the use of descriptive statistics and statistical analysis;
- Observation method, carried out systematically and analytically;
- Discussions with experts from institutions and national and international institutions, but also the beneficiaries of microfinance products and services;
- Data analysis and interpretation, using graphs, charts and figures to highlight various developments in microfinance.

Using the classic instruments of scientific research, based on analysis and synthesis, induction and deduction, general and particular and adding modern methods, we achieved substantial and pertinent analyses and studies on rural microfinance main ways, both internationally and especially national.

Our own contributions on investigated issue are highlighted during the research work and theoretical and applicative significance value resulting from the conclusions and proposals we have formulated and promoted. Also, the results of research were disseminated during 2015 in the frame of national and international scientific conferences I attended, and through publication in scientific journals, as author.

The research results are presented using tables, figures and graphs. The theoretical information needed for the research were taken from literature and specialized works (books, studies, papers, articles etc) in the field of microfinance investigated, from home and abroad.

Statistical information and concrete data on how microfinance works were taken from reports and statistics of institutes involved in microfinance in the country and abroad as well as to public bodies and private specialist.

III. Results and discussions

The Rural microfinance opportunities are a research topic of great interest internationally and especially nationally, in the current economic environment generated by the global economic crisis.

The construction of microfinance theories aims to establish correlations between the amount of financed entity (person authorized, rural household, farm - economic agent, etc.), financial structure and cost of capital procurement. Although some theories developed argue that microfinance optimal structure has a positive effect on the market value of the financed entity, there are theories that claim elaborate financial structure has a neutral effect on it. In this regard, this paper highlighted the relevance of theories on evolution and structure of the microfinance optimal legal entity (farms), respectively:

- traditional or classical theory; theory of compromise; agency theory; signal theory; the theory of hierarchical microfinance; modern theory on capital structure.

If theoretically it is possible to achieve an optimal structure of microfinance, in practice we consider that this objective is difficult to achieve, due to problems of quantifying the different variables which appears in the microfinance decision on medium and long term. However, the theories present on the optimal structure of micro offers some important lessons to entrepreneurs in rural areas

First they argue opportunity to identify factors influencing capital structure and, on this basis, developing decision-target structure. Structure - can be a target capital borrowing rate range that changes over time while generating conditions change.

Secondly entrepreneurs should aim for a specific capital structure consistent with the overall strategy of the financed entity (eg farm) on earnings growth, market position etc, and decisions of microfinance should be developed based on this structure.

In the third line establish a microfinance optimal structure is a complex process involving a combination of quantitative analysis with characteristic value judgments of each enterprise management areas.

The issue of microfinance company cannot be investigated scientifically without an adequate approach to the concept of cost of capital as the main variable information integration market microfinance among those who make capital available (investors) and those who need them (entrepreneurs and companies). Nowhere there are, in fact, microfinance resources for free, which why a good knowledge by contractors of the cost of capital is a necessity.(Levasseur, M., Quintart, A., 1992).

IV. The impact of microfinancing

Low-income households are most likely to be unable to access appropriate financial services. Along with poverty, age, place of residence (rural or urban) and sexual gender are direct causes of financial exclusion. Combating it is a difficult task, being both a cause and a consequence of poverty and social exclusion (e.g.: Gloukoviezzoff, 2010). In June 2010, the G20 summit in Toronto launched the Global Partnership for Financial Inclusion. United Nations, World Bank, International Monetary Fund and the International Labor Office have oriented their programs to issues of financial inclusion as an essential condition for creating jobs and generating revenue. Also, the European Commission, in cooperation with the European Investment Bank, have established numerous programs such as "Jasmine" and "Progress" to support microfinance institutions and for employment and social inclusion. More recently, in the Europe 2020 strategy for smart, sustainable and inclusive growth adopted in 2010, the European Commission asked Member States, among other recommendations, the need to "develop concrete strategies for social innovation, such as public-private partnerships ensuring adequate and predictable financial support, including microfinance" (e.g.: European Commission, 2013, p. 12). It would thus achieve the goal of raising at least 20 million people out of poverty and social exclusion, and improve employment of the population aged 20-64 years to 75%. Therefore, microfinance is facing real challenges in order to contribute to the realization of the 2020 Strategy. Will it be able to provide the expected impact in terms of financial and social inclusion? Impact evaluation of microfinance requires awareness that "microfinance" is a generic term for a wide variety of products and services. It covers areas such as micro-credit, micro-economics, micro-guarantee and micro-insurance while in each of these subcategories services provided differ in their characteristics, cost, target audience and the institutional context in which they occur. The impact of microfinance service provider is only one aspect of its social performance. The concept of social performance involves consideration of factors such as:

- purpose and goals of an organization;
- its inputs (resources and procedures);
- results;
- its impact.

The social performance analysis of microfinance service providers involves understanding and assessment of inputs from suppliers and their efficiency in order to achieve the purpose and objectives initially set (e.g.: Lapenu and Reboul, 2006). The social performance evaluations have two complementary objectives: providing an understanding of the processes implemented to promote their improvement where necessary and to demonstrate the effectiveness of action by measuring the change impacts of main supplier to customers (e.g.: Lapenu and Reboul, 2006). In this regard, the impact evaluation of microfinance service providers is not only a way to ensure ongoing funding, but a tool to help the organization to learn and perform better by designing products and processes that proves more suitable for both, customers and suppliers (e.g.: Copestake and Williams, 2011; Karlan and Goldberg, 2011; Copestake, 2014; GECES 2014). Improving the impact of organizations can be done by collecting data internally on a regular and reliable, but not necessarily, in a "scientific manner". What matters is that the results are meaningful and credible assessment in order to take the relevant decisions. To prove the impact of an organization requires a methodology that not only meets domestic needs, but also have an external standard of credibility. This "change" in the methodology of implementation was also supported by two factors. The first is that foreign donors were often more interested in evidence of the impact of their financial support for microfinance organizations rather than to contribute to the learning process and improve it (e.g.: Bédécarrat et al, 2012 ; Naudet et al ., 2012; Copestake, 2014). The second factor is that most of the information needed to assess the social performance of an organization are easily accessible internally while impact assessment requires the collection of information by engaging discussions with potential customers and non-customers (ie, counterfactual). Data collection is a particularly difficult task for staff is not ready for such research tasks.

V. Microfinance in Europe

At European level there are different models of microcrediting, sector which began to develop in 2000 in the western part and in the 1990s in the central and eastern. In the western part of Europe because of strict regulatory framework that allows banks to grant credit only prevail the linkage model: support organizations accompany clients and cooperate with banks for pulling credit. Although the linkage model often generates longer procedures for granting and firing longer, has some clear advantages: while banks obtain specific information on customer segment and may outsource part of certain operating costs, the nonprofit organisations support the target group with a broad of products alongside with learning the techniques of scoring and evaluation of bank customers. In the countries from Central and Eastern Europe, the microfinance operations began in the 90s as a private initiative supported by international donors. In Romania and Bulgaria the microfinance organizations have a specific status of non-bank financial intermediaries and have the right to lend. Credit unions provide microfinance, savings and insurance. In the UK, the community development

financial institutions (CDFIs) credits small businesses and individuals from disadvantaged areas. Types of microcrediting organizations in Europe:

- Non-governmental organizations specialized in microfinance (integrated non-financial services);
- Microcredit banks (converted from non-governmental organizations and foundations);
- Non-governmental organizations focused on specific groups (acts at small scale);
- Credit cooperatives (with special legal status);
- Non-banking financial institutions (microfinance institutions);
- Institutional support programs (part of the existing programs of development banks);
- Community development financial institution (CDFI - UK only).

The European microfinance market is heterogeneous, immature and fragmented. There is not a common business model. The microloans value ranges between 220 - 30.000 euro, the largest being granted by banks, non-banking institutions and government organizations. The most pressing problem of such institutions is the lack of long-term funding sources. It is however noted a trend of professionalization, efficient and self-sustaining. A growing number of unemployed people represents a source of demand for microcredits. Anyway, without access to stable funding, the growth perspectives are limited. It is expected that during the next period, European commercial banks to further reduce lending for financially excluded people, small and micro start-up enterprises. Microfinance is an important tool to combat the financial crisis and to sustain an inclusive growth. The legal framework for microfinance in Romania exists since 1993, currently being over-legalized. The Romanian microfinance sector is competitive, being the 5th largest in the European Union with experience in accessing decentralized programs. On the other hand, in Romania there is no coordination between training programs in entrepreneurship and access to microfinance programs. The beneficiaries of microfinancing are micro-businesses, including freelancers, sole proprietorships, family associations, small, new companies (start-up) companies, innovative enterprises, farmers. The institutions involved are: donors (EU, European Investment Fund), the fund manager, non-bank financial institutions, experts, consulting firms, microfinance institutions, guarantee funds. The benefits of the activity of microfinance for Romania mainly consist of: improving access to finance for all recipients listed above, improving the quality of financial services and support for business development offered by participating institutions, SME development and the creation / maintenance of jobs, revenue growth business of the beneficiary companies, while increasing the value of micro-credits granted. Thus, microcredit can be a breeding ground for the interbank market to creditworthy customers. The financing deficit of viable agricultural holdings in Romania (127.107) and viable enterprises in processing and marketing (4293 companies) come, under MARD estimates, the value of RON 9.343 million, respectively EUR 2.088 million for agricultural businesses. Financing gap in terms of viable non-agricultural SMEs in rural areas amounts to a total of 1.235 million RON equivalent of EUR 276 million.

Total cumulated deficit financing is about 10.578 million RON equivalent of EUR 2.364 million. In the context of my personal desire to create economic models for financial and social inclusion of Romanian rural area and in sync with the current funding program for agriculture and rural development (NRDP) in conjunction with other funding programs (such as COSME, Progress, European Social Fund - Operational Programme Human Capital, etc.), I believe that through a careful thinking and in accordance with the realities of Romanian rural space can be created microfinance business models to ensure sustainable development of SMEs. I confess that personal concerns related to issues of financial and social inclusion of SMEs in rural areas, especially small farmers, dating from the time when I started to develop some investments and support services in rural areas. In most cases, potential investors and farmers were connected to the system of market economy only by small European and/or national subsidies granted per area or per animal. The demand for loans were and still are today for more than 93% of the rural population. Faced with this situation we concluded that the only way to connect villages to the circuit of market economy is the creation and generalization of specialized micro patterns or to provide to the rural households access to financial resources, especially through microfinance institutions. The impetus came mainly from rural microcredit models from developed countries, especially in emerging concerns at the highest governmental and international institutions. Encouraging is the fact that Romania currently has already taken clear and concrete action to support the approximately 830,000 smallholders. But there is always more to be done:

- Support and revive of small-scale farming requires a comprehensive platform of political and developmental initiatives that are tailored to the unique needs of farmers and family farms;
- To keep long tradition of family farming there are necessary friendly policies and regulations for the environment;
- Improving access to land, water, markets and credit - as well as legislation on the ownership and use of standardized land - creates a solid foundation for productivity, solid ground on which farmers can and will invest in the future of their farms;
- Public investment in rural infrastructure, public services, training and education can give to small farmers the support they need to be competitive in a market increasingly globalized;

- Encourage women and youth to participate in agriculture will guarantee a long-term viability of family farming.

Microfinance in Romania

The beginnings of agricultural credit in Romania dates back to late 1872 when those times landlords conclude that the next chance of their existence lies in the establishment of institutions to ensure their financial resources for their prosperity. This was how the first credit institution in Romania rural land.

The institutions establish a new law was promulgated by royal decree. Under this law, the only access to rural credit had great landlords, who are given loans up to half the value of estates by mortgaging them.

In fact, the Land Credit institution serve as an intermediary between landlords and capitalists who lent their bank asks some of the funds placed in so-called writs issued or guaranteed by the new institution.

A time analysis of Rural Land Credit activity demonstrates that, at the time, this institution was one of the most viable forms of financial support for those who were the landowners class Romanian. This appreciation is the positive activity Rural Land Credit institution of those times. The downside is that this institution could not (nor have such) to financially support the vast majority of small landowners and even those who will later form the so-called class *chiaburimi* in villages.

Returning, however, the activity of the institution Credit Rural Land should be noted that an important moment in the evolution of rural credit is the reorganization of this institution in 1924 when extending not only the lending, but categories of owners, who had access this credit. This opening would open the way to attract rural credit system within certain categories of farmers who, over time, will lead to economic stratification of rural society.

By 1945, the pyramid will find great landowners landowners and lessees who will manage their wealth, followed at great distance from those who, later, will be categorized as *kulaks* villages.

Social class the strongest and most respectable in rural areas will be in the middle peasants. Around outbreak collectivization process, they represented an economic force capable of imposing Romania on Europe's agricultural market by products of exceptional quality. It was not to be, because the 1945 land reform and collectivization process triggering especially have to defeat the aspirations of the general welfare of the rural community.

Going back in history and analyzing policy of financial support for agriculture should be noted that the great turning point occurred with the advent of popular banks and credit societies and associations of rural or agricultural. These institutions have experienced the most widespread in Romania and had a decisive role in supporting and developing small owners. The truth is that germs cooperatives in financial support agricultural owners emerge and develop. In fact, occur in 1881 with the advent houses county agricultural credit, they have an important role in lending, especially lessees of land.

If you were to draw a first positive conclusion is that by the end of the first war based financial support for small producers has been to the 3,000 popular banks and 500 cooperative land lease, the latter supporting the operation of the 5 million hectares farmland.

Massive intervention of the National Bank in organizing and supporting the organization of agricultural credit in Romania occurs especially in the interwar period. This mutation has resulted in the creation of agricultural credit institutions, cooperative reorganization, especially in setting monetary fund of agricultural banks or serving the interests of agriculture. Support materialized by providing credit institutions amounts of market interventions in the recovery of agricultural products, particularly cereals, construction of silos, upgrading methods of cultivation and production technologies. In this regard, they were made available to banks cheap loans, with interest of 2-4% and by requiring them to charge its turn an interest rate of no more than 2-5%.

The size of credit to support agriculture makes up 40% of the total portfolio National Bank. The rationale behind this massive support was from the reality that, at that time, agriculture represents the main branch of the national economy. Moreover, in 1934, by law enforcement agricultural debt conversion, debt to those who received loans from the Bank's portfolio was reduced by 60% as a result of their takeover by the Romanian state. This financial support of the National Bank to support agriculture deserves a little comment.

The first conclusion is that the leadership of the National Bank was outstanding professionals, trained in the school of erudite scholars of those times. People with extraordinary influence were in the world those times. We regard Cantacuzino family representatives, Brătianu, Ghica, Sturdza and many others. In the face of such celebrities, major policy makers were a common front in the great goal of advancement of a social class doomed to destitution.

If I had to explain, I will just stop the evocation of the great scientist Gheorghe Ionescu - Sisesti scholar who demonstrates with data and facts that Romania without a developed agriculture is unlikely to impose economic market of Europe.

Praise of my addresses those who a century worked hard, especially with the power of mind in the realization of structures and financial institutions that allowed Romania to measure on an equal footing with all that was best in European agriculture and the world of those times.

Returning closer to the policies of financial support for those in command economy, are real it would be an act of great courage to emit some positive considerations. I'm trying to do, saying from the beginning that after the first period of control imposed by the Soviets, including in the banking system gradually banking system, including in agriculture was more a factor of progress.

Beyond the great wrong to pull out the credit system agricultural producers outside the organization socialist system, bank loans were granted mainly to political order. Proof and that, especially after 1980, we have witnessed a process of financial spoliation of the majority socialist agricultural units. About the few manufacturers are in front of socialist control system can emit few judgments, even for this account that weather statistics as just peripheral. The statistics on the financial support of private farmers or craftsmen in the villages involves many inaccuracies and that is why they do not want to elaborate on this topic.

Post-revolutionary reform lending

From the data we have available, that former communist Agricultural Bank in 1990 present a confusing balances at least in terms of statistical reports. The new system of agricultural credit has started with a large financial balance. Laws post-revolutionary restructuring of the agricultural system, however, led to the destabilization of agricultural lending system, ultimately resulting in the development and handing it to banks with foreign capital. Unfortunately, today in their portfolio, the share of loans for agri-food sector is shrinking worrying. In fact, if we exclude the emblem displayed on buildings banks operating in Romania, it is currently difficult to define which is still the largest bank operating in the food sector in Romania.

Agricultural credit during the communist period

Communist reform in banking began with the seizure by the communist regime of the broadcast center of the country, namely the act of nationalization National Bank. This act was abolished specialized banks for agriculture, namely Agricultural Loan and Loan National Agricultural Land, the tasks being assigned the National Bank. Scope agricultural lending activities resumed purchases of agricultural products or raw materials procurement.

Re in a certain normality would occur after monetary reform in the 1947-1952 period. Thus, the scope of bank credit has expanded through the establishment of the Agricultural Bank and the Bank for Foreign Trade. After the currency reform, agricultural loans were granted by the Agricultural Bank, which are intended for production and investment loans. These were aimed at increasing crop and livestock development of domestic industry and supporting the activities of collection and recovery of agricultural products. Under this scheme, loans to individual producers were reduced, and at first be limited to farmers given land under the land reform in 1945. The development of these loans was through popular banks and aimed at a particular category of producers. The scope of lending has grown by reinstatement of Rural Land Credit and Agricultural Credit National. In this new structure, the banks agricultural credit by farmers in the poverty bracket, i.e. those holding up to 5 hectares, while Credit Rural Land lend to owners with 15 hectares of agricultural land and 5 hectares of vines. This category of owners could benefit from loans through the National Agricultural credit banks or popular.

A step in improving the credit system was the creation in 1968 of the Bank for Agriculture and Food Industry. Agricultural Bank was supposed to be an institution for financial support for the entire countryside. In reality, it turned out to be a state body intended to support only socialist elite agro-food system. The level of representation of these institutions included throughout the socialist homeland and materializes in 41 branches and 57 subsidiaries. Do not go into the intimacy of these institutions lending mechanism for financing rural want to mention that the object of their financial support is the cooperative and state agricultural sector. Few, very few private farmers were the ones who benefited from loans. And fewer rural communities were misaligned control system that have ensured a certain prosperity on the basis of scarce funding and lending investments made locally.

Control statistics rural economy period reveal that credit policy of rural community-aligned socialist system simply excluded individual farmers or craftsmen villages. Access to bank loans was virtually prohibited private producers, despite the fact that especially in mountainous areas they represented rural community development pillar. Unfortunately, aspirations welfare of farmers and entrepreneurs in rural areas would crumble under the economic management of those who founded and led the alignment of the rural community of anachronistic system of the command economy to the market economy.

Groups and Microfinance Institutions have a historical past in Romania, being decides at the Beginning to provide services to people who did not have access to commercial banks. The reconstruction of this system of

Microfinance in Romania today, the first cloud-inspiration come from microfinance models practiced over the years in the Romanian countryside.

After a period of searching and calling some improvisations, I believe that we have at the stage where are we is obliged to approach the decisions leading to the reestablishment of new principles of institutions to provide lending to local actors and sectors vital to the economic consolidation of settlements and welfare. It is the establishment of banking institutions to finance economic intension with legal personality: banks in rural areas, where are the intension and crediting individual's assets: Banks to finance educational or health exclusively institutions in rural areas. Maybe involved in this action and the 25 commercial banks operating in Romania and the food companies also that has involved action in lending. To achieve this goal the establishment of a national rural microfinance shouldn't be started from what was good in the rural credit system in Romania in the interwar period, especially from models existing today in some countries of the European Union. CGAP Estimates That the world is over 500 million family farms, farms that provide food to more than 2.5 Billion people, people who live with less than \$ 2 daily. I believe it is our duty, as economists, to identify the most efficient models of microfinance and to support those who are people in absolute or relative year degree of poverty. The constraints of those who are working in microfinance for rural areas have numerous risks and limitations have as collateral, especially if we consider bankable that vulnerable segment in terms. However, we have now witnessing a train in many debates that make us say many factors that increasingly turn their attention to financial and social inclusion of rural areas.

The specialized micro finance in rural development is the pillar of support for small businesses, sustainability and rural improving their real life. A major percentage of rural households lack access to shows thosethey sustainable and affordable financing for agriculture and other livelihood activities. Many small farmers living in remote areas, where the retail banking is limited or not available risks and production is high. The recent financial crisis has made the granting of loans to become even stricter and the needle to explore innovative approaches to rural finance and agriculture has become even more urgent. The progress of financial inclusion is the result of digitization trend of the financial sector, with a major impact on financial institutions. Creating new distribution models (networks of external agents, with Banks branch network), the emergence of new opportunities for customer access and management of back-office has just challenges some of the microfinance sector has passed through innovation and continuous adaptation. The phenomenon of "microfinance" has created new opportunities for customers: easy management of household savings, revenue collection, payment of bills and taxes. Using it still must become more concrete and consistent in Romania, and customers shouldn'tbe these educated to master new digital tools. It is undeniable that a revolution is taking like! In the context of the financial crisis, microfinance continues to grow, offering new digital form be sell it or help access to new customers and services provided to beneficiaries.

The big challenge for the financial system

Aware of this chance, BUSINESS DEVELOPMENT ASSOCIATION (ADA) Within the Romanian Group for Investments and Consultancy (RGIC) completed at the end of 2015 with a total project budget of 8,045,909, 66 lei. The project objective was development of a uniform, comprehensive, functional and sustainable micro-enterprises specializing in microfinance in 25 communes in six Regions. The result was to support individuals looking for a job, unemployed, Employees and managers in rural areas. Was implemented in the North-East; South East; South-Muntenia; Northwest; West; Center; Bucharest-Ilfov, for a period of 17 months. In this project Participants receive to practical skills. Proposed was target group made up of approx. 1830 rural people. Of These, 1830 people Receive counseling / guidance, training and 312 Will Participate in Programs. We believe this pilot project represents a starting point in implementing a new system of financing / co-financing in rural areas. Our approach is to expand the project in the country, being Able to create a network of 150 financial services to rural microenterprises. The Actors who may be involved in the strategic program to support the system of microcredit to rural Areas for involving ASSOCIATION OF DEVELOPMENT IN BUSINESS (ADA) of the Romanian Group for Investments and Consultancy (RGIC) IFN SA, together with the National Union of Credit unions of employees in Romania (UNCARSR) - about 1 million members in the country and UTCAR (Union Territorial Credit unions), with Approximately 10,000 members and the constitution to the Employers and trade unions to enterprise Specialized in Microfinance in supporting economic growth, namely financial and social inclusion. Through national and EU funds of can create a financial support mechanism, similar JEREMIE - Joint European Resources for Micro to Medium Enterprises. This Could Be Possible COSME through the program and / or H2020, and through the European Investment Funds Currently in formation. In this context, it Would BE Useful Policies to Support and Develop specific in Romania The Mechanisms for the creation of Specialized Institutions for SME financing and in particular SMEs through microcredit for rural:

- Initiation of Investment Funds as financing vehicles to support SMEs in Romania in accordance with our Laws and Procedures of Community directives;

- That Initiation of Financial Institutions operated under the concept of "ethical finance" Which concept so far have been highly Recognized by legislators Member States of the European Union. That due to the fact at present, the financing Projects Biggest problem is related to the client-bank relationship / financial institution Currently That relationship suffer. We believe That ethical finance company reflects the Need for Greater morality, equity, Solidarity and financial accessibility;
- Microfinance Institutions: Providing financial services to low-income Customers Who Normally do not have access to traditional banking services Ia;
- Self-help Initiatives / Cooperatives / credit unions.

VI. Conclusions

Rural Areas, as Reported by the EU Rural Review, has generated to 48% of the gross value of the EU economy and 56% of total employment in the Member States. A typical future is the presence of the rural economy and medium enterprises small (SMEs), many of which has micro-enterprises with a high percentage of self-employment jobs.

In the G20 financial inclusion action plan undertaken during the Australian G20 Presidency in 2014 resulting in was commitment to two objectives of direct relevance:

"Mainstream financial inclusion in the work of the standard-setting bodies and other relevant global bodies and increase understanding of the interdependence of financial inclusion, stability, integrity, and consumer protection" and "encourage effective and consistent incorporation of financial inclusion in the financial sector assessments".

As in all fields, and agriculture policies give decisive significance fair allocation of investment to agricultural production and productivity. Supporting these policies gives new models of microfinance adapted to the current environment of structuring the farm to the needs of small farmers, given that at present in Romania have over 2,500,000 small farms semi-subsistence, contributing directly and indirectly to sustainable development of the Romanian village.

Sooner or later, the Romanian financial system to align with will be forced to countries with the practices of the developed system of agriculture to address microfinance through innovative new models in modern at the current time. After a period of searching and waiting, I think we're at the stage where are we obliged to have the decisions that approach leads to the restoration of new principles and institutions to provide creating new loans for actors and local sectors vital to the consolidation of economic settlements and human welfare. It's about creating specialized microfinance institutions to finance economic intension with legal personality: non-banking financial institutions in rural areas to support the intension and crediting individual's assets: Microfinance institutions that conduct specialized education institution in rural areas. Capital required to establish biggest fan shouldn't institutions be ensured through government financial contributions for the payment to be repaid in time. Another very important aspect is to create innovative models of microfinance and continuous training of human capital involved in providing financial services in rural areas in the financial and education of those accessing microcredit. Makers at European and global level funding is now seeking to carry out micro-credit in rural areas program, concerns and decisions that can directly influence the development activities in rural areas through access to microcredit Areas. To achieve this goal of establishing a rural microfinance innovative and coherent it would be desirable to start with what was good in areas of the credit system in Romania in the interwar period, especially the innovative models today's existing in some EU Countries and creating our own innovative models of microcredit.

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