

Development of Lending Activity of Agricultural Households in the Republic of Moldova

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Abstract

This study was developed in the context of the project to improve the institutional capacity, to evaluate and formulate the macroeconomic policy in the field of economic convergence of the agricultural and the economic field. European integration processes actively involve member countries as well as neighboring countries. Thus, the Republic of Moldova becomes a component part of the integration events with direct implications on the national economy. The most vulnerable sector remains agriculture, and the EU's agricultural policy could have a direct influence on national agriculture. That's what she needs to study. The Common Agricultural Policy (CAP) is among the first common policies adopted by the European Union - the then European Economic Community. Her genesis was a reaction to the food problems that followed the Second World War. It should be noted at the outset that the term "common policy" faithfully reflects one of the defining features of the CAP, namely that for about 90% of agricultural products the decision no longer belongs to the Member States but to the European Union.

The scientific novelty of the paper consists in the elaboration of a set of scientific-methodological approaches and practical recommendations regarding the development of the lending activity in agricultural households, taking into account the particularities of the development of the partnership, then the perspectives of agricultural credit established in the Republic of Moldova based on European policies, almost analyzing Romania.

Keywords: Moldova agricultural, Development of lending, agricultural households.

Introduction

The current scientific issue of major importance that requires resolution in the work is based on the substantiation and argumentation of the need to develop the lending activity of agricultural households that have a fluctuating potential.

The practical value consists in carrying out a comprehensive analysis of the market of the product of Credit Agricol, its application to the categories of organizations based on agricultural activity on the Moldovan market. Also in terms of market demand and supply of agricultural credits, in terms of the elements applied in the EU and Romania. Market analysis from the point of view of marketing elements can be an incentive for every agricultural household that wants to implement and develop the activity, thus ensuring the highest market competitiveness. Thus, the proposal, by granting agricultural loans, a support in the creation of rules and strategies for improving the agricultural structure in the created field. That the Agricultural Credit either the subsidized loan does not become a simple debt to the bank and the state, but a stimulus for the growth of the business and its continuity.

The main elements of the technical requirements were the assessment of the Moldovan agriculture situation compared to other EU Member States, the identification of alternatives to increase the economic efficiency of

farms and ways of stimulating the consolidation of agricultural holdings, insisting on an increase in the average size of the holding, of the necessary changes in the structure of production and the possibility of encouraging associative forms.

The necessity of a comparative assessment of Moldovan agriculture in the EU context has led to the choice of two landmarks that have been used constantly throughout the study, as an example we can compare the agriculture of Poland and France, due to the similarity of the importance of agriculture in each of these countries, the route followed by each of these countries and the route followed by each of them, which have used active measures to strengthen farm holdings, starting from a family-dominated structure. Different aspects have been used in comparisons with other states, because of the similarity with the situation in Moldova, when compared to the situation.

Credit methods

The strategic goal is to increase the agri-food sector's competitiveness through extensive restructuring and modernization and to improve the quality of life and work in rural areas by achieving synergy between agri-food and natural environments. Accreditation of new peasant farms, involvement of young people in activity and deepening of study on the competitiveness of the agricultural sector, innovative performances in the agrarian sector.

The characteristic of the investment agricultural credit model defines agricultural credit - any commitment to provide money as a loan in the field of agriculture, provided they are repaid, payment of interest and other related payments, which provides for investments in the field of agriculture.

The foreword is intended for economic agents with the status of natural persons (GI and I.I.) and legal persons irrespective of the organizational-juridical form whose main activity is agriculture.

Eligibility conditions:

- Records and carries out the activity, in accordance with the legislation of the Republic of Moldova;
- Full training of the social capital according to the legislation of the Republic of Moldova;
- It has been working in the field of agriculture for at least 12 months;
- Provides legal and financial information about the activity in the volume to allow an adequate assessment of the client's situation;
- Existence of accounts and payments to banking institutions;
- Credit history to be satisfactory.

Currency: MDL; USD; EUR.

For investment credits for customers with low risk rating, the bank will finance 80% of the investment, 20% will be the customer's own contribution.

For customers with average risk rating, the bank will finance 75% of the investment, 25% will be the customer's own contribution.

Destination of credit:

- Investments in agricultural households, for the development of agricultural production and horticulture;
- Construction, repair of warehouses and cold storage of agricultural products;
- Equipment for sorting, processing and packaging agricultural products;
- Investments in the production of animal products;
- Investments in vegetables, fruit growing, agriculture, animal husbandry, cereals;
- Purchase of agricultural equipment;
- Investments in the development of processing, storage, packaging, marketing and other activities related to

agriculture;

- Establishment of vineyards and orchards;
- Purchasing the plant for the production of seedlings and planting material;
- Reconstruction of heating systems in greenhouses;
- Reconstruction of irrigation systems,
- Redemption, refinancing of credit granted by other financial institutions, the purpose of which in the contract of crediting the activity related to agriculture. The economic agent whose credit is to be redeemed must record a positive credit history.

The maximum term of the loan is 60 years, the grace period is maximum 6 months from the payment of the loan and the maximum interest is 6 months, the grace period is established based on the seasonality of the agricultural production.

The cost of credit delivery differs from the predominant destination of money.

The form of bond assurance will serve:

- Acquisition of proceeds;
- The Founders' Fiddiness;
- Future pledge, stocks of goods and materials;
- The other part of the loan will be secured by the investment property acquired on the basis of the loan granted;

For future crops, it is advisable to ensure that production risks are met in agriculture.

After checking the state of crops in the field (future pledge) and the harvesting of the harvest, within 5 days, the branch shall complete the addendum to the pledge contract and register it according to the legislation with the corresponding changes.

The assessment of the insurance, the determination of the value of the pledge / mortgage of the assets and the legal completion of the insurance are to be performed in accordance with the Regulation on insurance of products exposed to credit risk.

Credit risk assessment of credit transactions will be determined in accordance with the requirements of the licensed bank for the granting of credits:

1. Credit risk - linked to the debtor's inability to meet its obligations in accordance with the deadlines set in the credit agreement. Credit risk mitigation will be granted to risk-adjusted loans according to the annual financial reports for the past two years.
2. The interest rate risk-is related to the probability of incurring losses by the Bank in connection with the market interest rate increase on loans and resources to mitigate the interest rate risk, usually the floating rate regime is established.
3. Currency risk - the curve related to exchange rate fluctuations. This risk is subject to enterprises that have credits (other bonds) in foreign currency, but also to enterprises whose activity depends directly on the situation on the foreign exchange market, namely:
 - Import of raw materials, finished products. Any unsatisfactory fluctuations in the foreign exchange rate move to an increase in production and service costs, making them less competitive;
 - Export to other production lines. If the priority direction of the enterprise's business is export, then the currency risk will be related to the situation in the country the importer, which leads to the devaluation of the national currency in the country of the importer and to inappropriate prices for the demand for goods to be paid;

In order to reduce the foreign currency risk, in the case of loans granted in foreign currency, the minimum pledge coverage should be 10 pp higher. than the minimum insurance amount specified under the Credit Risk Insurance Products Regulation.

4. Insurance risk - risk of losses related to the eventuality of total or partial loss of pledged / mortgaged assets, their intended alienation, their devaluation, and the bank's inability to exercise its pledge on pledged / mortgaged assets.

To mitigate the insurance risk, we will monitor the future floating rate collateral. After checking the state of the field crops and the harvesting of the harvest, within 5 days, the branch shall complete the addendum to the pledge agreement and register according to the legislation.

5. Subsidiarity risk of the business rsc and represents the current or future risk of impairment of profits and capital, which may result in fines, damages and termination of contracts that may affect the reputation, reputation and branches of the lending business of the bank, as a result of violations or non-compliance with the legal and regulatory framework of the Bank with agreements, recommended practices or ethical standards. This can be manifested by the elaboration of the set of documents related to the credit in breach of the internal regulations in the field of credit, as well as by the non-identification of suspicious transactions of money laundering, especially of cash transactions. To mitigate the compliance risk, our work process will ensure knowledge and compliance with internal regulations. The risk of money laundering is minimized by obligatory disbursement of credit by transfer with presentation of confirmatory documents, which creates the necessary premises for compliance with what creates the necessary premises for compliance with the regulation in the field.

6. Operational risk - is related to the possibility for the branch employee to violate the terms of transmission / receipt of the documents, including the integrity and confidentiality of the document.

7. Environmental risk - In order to analyze this type of risk, it is necessary to check whether the proposed enterprise or project for lending is not included in the list of environmental restrictions.

8. Raw material risk - the risk of raw material supply instability, high dependence on one supplier, frequent switching of suppliers, withdrawal of the base raw material from rotation (orchard, vines) by the high level of supplying suppliers, removal of suppliers of raw materials, but also high energy use by the enterprise.

9. Market risk - the risk of poorly-developed buyers, the competitive quality of production, the high degree of dependency on a single buyer, and the low profitability of production.

10. Risk of circumstances of force majeure - risk related to natural unfavorable conditions, epidemics, natural calamities, military actions.

Other credit risks and their reduction strategy are established during the sale of the product and customer demand.

To reduce these risks, effective alternatives are created as agricultural loans to finance working capital

The credit system of the Republic of Moldova. Implementation of the monetary policy within the credit system of the Republic of Moldova.

In 1991, according to the law, a two-tier banking system was formed. According to this system, the National Bank of Moldova is the central bank but does not participate in the commercial banking structure. The National Bank of Moldova (NBM) is modeled according to European standards. The main objective of the NBM is to achieve and maintain the stability of the national currency. They also monitor the reliability and solvency of commercial banks, create economic conditions for their efficient operation and, among other things, ensure maximum protection of the interests of bank depositors. Trade commercial banks currently have 21 commercial banks in the Republic of Moldova. The activities of commercial banks are based on the law and rules established by the NBM. Banks with A license can only operate with the national currency, banks with B or C licenses may operate with international operations. Capital market activities are only allowed for C licensed banks. The monetary policy and main activity directions for the fulfillment of the main tasks of the NBM for the years 2013-2018 were elaborated in accordance with the Law on the National Bank of Moldova.

Monetary market and monetary-credit policy. The economic policy of any modern state encompasses many policies, each having a well-defined role in contributing to economic growth and ensuring the well-being of the population. Along with these criteria, such as budget, trade, price, finance and currency policies, monetary policy is of particular importance and credit, which through its instruments and levers exerts a particular influence on the course of economic life.

There is a close interdependence between monetary and credit policy, one involving and complementing one another. Credit policy can be defined as the policy of the Central Bank (in some states and the Government) which, with the help of specific instruments, seeks to secure the overall economic balance within the credit. Since this balance is funded on the equivalence of supply and demand for goods and services, credit policy is designed to indirectly influence the flow of expenditure through a three-step action:

1. on liquid assets of banks;
2. by means of liquid banking facilities on the banks' credit capacity, ie on the volume of bank receivables;
3. by granting credits, thus influencing the volume of bank claims on the volume of payments, implicitly of expenses.

As an example to the final objective of monetary lending policy carried out by some Central Banks:

| Country | Final Objective |
|--|---------------------------------------|
| US | Unemployment rate and economic growth |
| EU | price stability |
| Scandinavian countries (Sweden, Norway, Finland) | Pricing and unemployment rate |
| Romania | R Inflation rate |
| Bulgaria | External Stability |
| Republic of Moldova | Stability of the national currency |

Source:BNM.

The goal of selective lending policy is to target inefficient and problematic loans to cost-effective and efficient use. Selection methods are implemented in different ways: applying interest rate facilitation, developing and distributing commercial banks' recommendations on efficient borrowing. But, in general terms, credit policy can not ensure total credit adjustment to the economic situation, so today it is achieved through various fragmentary methods.

In order to regulate credit relations, the NBM establishes in the banking system the following economic norms: the minimum size of the statutory capital, the ratio between the statutory capital and the sum of the assets, the risk weight, the liquidity indicators in the form of a ratio between the assets and the liabilities of the bank, reimbursement and the ability to sell assets; the maximum risk borne by a borrower, the exchange rate and interest rate quotas, the rules for using the bank's own sources for the purchase of shares of legal persons.

Monetary-credit regulation of the Moldovan economy is performed by the NBM applying the amendments to the mandatory minimum reserve requirements, interest rates on loans and deposits. To influence the liquidity of the banking system, the NBM refinances commercial banks by offering short-term loans and depositing free funds to banks paying fixed interest.

Producers who provide the most needed goods for society with low expenses become the most profitable. In these branches, free capital is allocated, investment increases lead to economic growth in some branches of the national economy and fall into others. Therefore, due to the cost law, which regulates the process of price formation, the proportional development of the market economy, increasing the efficiency of social production is ensured. For the full realization of the capacities of the influence of money on the development of the market

economy certain conditions are necessary. First of all, the money-making circuit in the country must be stable so as not to cause social-economic tension.

Conclusions

In conclusion, there is a strong need to create conditions for the development of partnership between entrepreneurs, as it reflects an organized, rigorous approach that balances the responsibilities and relationships aspects of a partnership. In order to remove existing barriers and intensify partnerships, the Strategy on this chapter aims to achieve the following specific objectives:

Development of public-private partnership in business.

Facilitating business-to-business partnership.

Facilitate private sector participation in processes to improve the regulatory framework and decision-making.

Achieving the goals of this strategic priority will enable Moldova to move to a more mature stage of business partnerships by joining the community of states that practice more civilized forms of dialogue between entrepreneurs as well as dialogue with public authorities which will contribute to the involvement of SME sector representatives public authorities, which will contribute to the involvement of representatives of the banking and legislative sector in the processes of drafting, amending and improving the legislative and normative framework related to the business environment and decision-making.

This will show the efficient and visible movement of promoting the granting of agricultural credits in accordance with the development and promotion of the agri-food sector.

A recommendation for young people is to promote the development of business plans to create and to engage in the growth, development of agriculture.

In general, stimulating lending to agricultural producers by commercial banks and non-bank financial institutions is a stimulus to innovation in the field of agricultural credit, generally funded for young people. Their implementation, the development of ideas and the achievement of results is a strong incentive for future generations leading to success performance in regional and rural development.

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