AN ANALYSIS OF SHEEP BREEDERS' PERCEPTION ON THE CREDIT MARKET. AN APPLICATION IN THE NORTH-WESTERN ROMANIA.

ANALIZA PERCEPŢIEI CRESCĂTORILOR DE OVINE REFERITOARE LA PIAŢA DE CREDIT ROMÂNEASCĂ. O APLICAŢIE ÎN NORD-VESTUL ROMÂNIEI.

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Abstract: *The paper investigates the perception of the Romanian sheep breeders about the Romanian credit market. Data was collected after a face-to-face survey administrated in 207 farms from six Romanian departments that constitutes the North-Western development region. Results show that the sheep breeders are highly credit rationed, especially due to bank collateral demands and the credit accessing conditions. Also, the risk as it is perceived by banks is an important driver of credit demand rejections.*

Key words: *credit rationing; sheep breeders; Romania.*

INTRODUCTION

The financial resources that can be accessed by the agricultural economic agents are important drivers of their future development (Petrick, 2005). In agriculture, it was proved that farms are credit rationing (Petrick, 2004; Chaudhuriab and Cherical, 2012). That means that they cannot attract the desired level of credit due to capital market imperfections (Ciaian and Swinnen, 2009). The effects at the farm level have different impacts. Thus, a rationed farm may lose important outputs due to endowments scarcity (Guirkinger and Boucherb, 2008).

Even though there is an extensively scientific literature about the consequences of credit rationing at the economic level (Konings et al., 2003; Rizov, 2004; Gugler and Peev, 2010), studies about agricultural economies in transition are less extensive (Petrick, 2004; Latruffe, 2005; Bakucs,

2009). They focus on explaining the credit rationing especially from the offer side. The farmer perception about the credit market situation is also important because it might alter the confidence in accessing external financial resources. In the Romanian agriculture this is an important fact that could condition the absorption of structural European funds due to co-financing demands (Jitea et *al.*, 2011).

MATERIALS AND METHODS

In order to assess the Romanian farmer perception about the Romanian credit market, the data was collected with the help of survey techniques. Thus a face-to-face questionnaire divided in seven parts (general data; social situation; land resources; farm endowments; financial resources; crop and livestock techniques) was implemented between January and October 2011 in the North Western Romanian development region (level two in the Nomenclature Units for Territorial Statistics). Farms were identified by sampling techniques. As a consequence, the output was a stratified random sample for the mixt farms specialised in sheep production. It was formed by 207 farms above 50 mother sheep heads to take into account the way of CAP subsidies disposal. The first stratum is represented by the department, in order to set the different geographical and agricultural conditions (less favourable in terms of agricultural conditions in Cluj, Sălaj and Bistri a Counties). The second stratum is represented by the farm size in terms of sheep number.

RESULTS AND DISCUSSIONS

To assess the farmer's perception about the Romanian credit market, the capital needs were firstly questioned. Thus in the last five years (2006 – 2011), 70.7 % of the farms declared that they invested in production facilities. Another important preoccupation, especially for the family holdings, was to improve the house comfort. Only 6.79% of them declared that they did not make such investments in the last five analysed years. The investments in production facilities were supported especially from their own resources (88.3%). This means that other capital resources such as the rural development funds and the long term credits were used with less extent.

Moreover, around 69% of farms declared that in the last five years they were credit rationed (that means that they requested credits but their demand

was denied). In the farmer perception the most important reasons for credit rationing in Romania is the collateral demanded by banks (51%) that exceeded the farmer endowments.

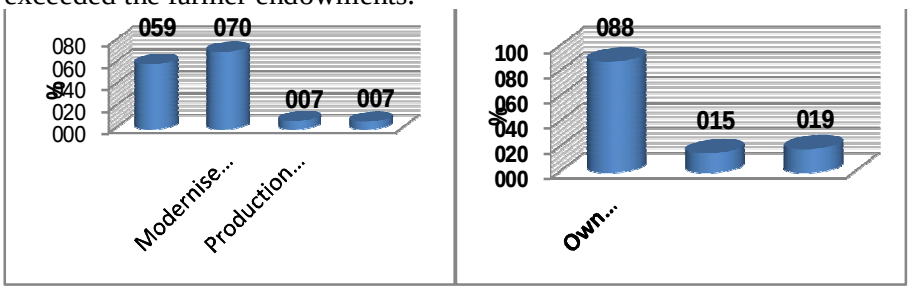


Fig. 1. Investments and financial resources (2006 – 2011)

In the same time, credit conditions (interest rates; bank charges; reimbursements conditions) as 35% said and the risks perceived by banks when analysing business plans from agricultural activities also explained the credit rejection.

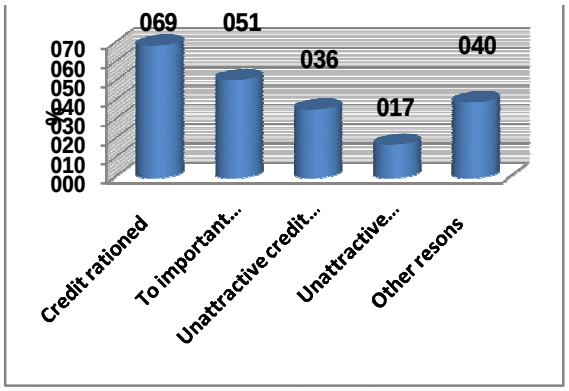


Fig. 2. Sheep breeders' perception about the Romanian credit market

CONCLUSIONS

Based upon the farmer's declaration, it was proved that the Romanian sheep producers are highly credit rationed. In order to increase their access to loan financial resources, several weaknesses of the Romanian credit market should be firstly addressed. Thus, the special guaranteed fund for agriculture should be more accessible for farms in order to decrease the collateral burden imposed by banks.

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