# TRENDS OF MICROFINANCE IN THE CURRENT SOCIAL AND FINANCIAL INCLUSION (II)

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**Abstract:**

Increasingly more we are concerned about a real problem the indebtedness of the population, the lending capacity of financial institutions and increasing alarming number of people non bankable, and the social and economic gap between the welfare of the rural population in European countries developed in Romania. This was always a big problem, but after 1990 the number in poverty increased relative and absolute alarming far about 5.6 million people according to the latest reports of the National Statistics Institute. The articles is based on this reality and try to synthesize the ideas of those who tops the rural society and are able to create financing models that will contribute to creating systemic solutions to this state of decline. With the integration into the European Union, Romanian authorities must submit new principles and rules to adapt Romanian legislation with EU legislation, especially in the current context of social and financial inclusion. At present digitization trend of the financial sector has a major impact on financial institutions and non - banking. Creating new models for banking (networks of external agents, banks with branch network), new opportunities for customer access and management of back-office are just some of the challenges microfinance sector , the sector that is in a continuous process innovation and adaptation.

**Key words**: social inclusion, financial inclusion, microfinance,rural sustainable development

**JEL classification codes**: Q0, Q01, Q1

## Introduction

We are currently witnessing many challenges in all fields, but in the financial result of the crisis, they are more visible. These challenges have a direct impact on sustainable economic development, mention: combating poverty, hunger, quality education, sătătate & welfare, gender equality, access to clean water, renewable energy, growth & decent work, infrastructure, industry and innovation, reducing inequalities, communities and sustainable cities, sustainable consumption and production, climate change, protection of aquatic, terrestrial protect lives, peace, justice and strong institutions, public and private partnerships sustainable.

To meet these challenges we need to mobilize on identifying financing mechanisms through which to ensure the provision of financial and non-financial that may help entrepreneurs to overcome the challenges for rural development, supporting their businesses and stimulate the local economy. In this regard, often targeting microfinance unemployed or people excluded from the traditional banking system who want to start their own business, contributing significantly to self-employment and job creation. Thus, we can define microfinance as follows: source of financial services to entrepreneurs and small businesses that do not have access to banking and related services.

There are two main mechanisms for the delivery of financial services to such customers:

- based on banking relationships for individual entrepreneurs and small businesses;

- based group, where more entrepreneurs come together to apply for loans and other services as a group: the method by which the social inclusion of the poor; way to promote economic development, employment and economic growth by supporting micro - entrepreneurs and small businesses.

According to CGAP (The Consultative Group to Assist the Poor) Microfinance Rural comprises providing a range of financial services such as savings, credit, payments and insurance for individuals in rural areas, households, businesses (both agricultural and non-agricultural ). It also includes funding of agriculture and agro-processing, such as the provision of inputs, production, distribution, wholesale, processing and marketing. Some challenges faced by micro enterprises

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(IMF) rural areas are similar to those facing any IMF while others are specific to rural organizations that provide loans for farm-based activities. According to USAID, the following factors constrain both the demand and supply in rural and agricultural finance:

- High transaction costs for both creditors and debtors;
- Low population density and demand dispersed;
- Limiting economic opportunities available to local populations;
- High risks faced by potential borrowers and depositors due to variability in revenues,
- Exogenous economic shocks and limited tools for risk management;
- Seasonality - may affect both the client and the institution;
- Greater concentration on agriculture and agricultural related activities, expose institutions to multiple risks;
- Lack of reliable information on borrowers;
- Lack of market information and / or market access;
- Weak institutional capacity;
- "Exclusion" effect caused by subsidies;
- Lack of adequate safeguards (lack of assets, unclear property rights, etc.);
- Legal uncertainty and lack of regulation adapted to new needs;
- Underdeveloped legal systems, inadequate mechanisms for the implementation of the contract;
- Underdeveloped infrastructure or inadequate.

Although this list is mainly based on the experience of developing countries, it provides a useful and comprehensive global challenges of creating models tailored microfinance current context of social and financial inclusion. The World Bank estimates that today, more than 16 million people are served by 7,000 microfinance institutions worldwide.

We can define some standard microfinance services: credit, savings accounts, money transfer, insurance.Microcredit is one of the services offered by microfinance institutions. The principle of microcredit is to provide small loans to entrepreneurs and those who do not have access to traditional bank loans. We also need to remember that microcredit is not similar to microfinance! With these micro-credit, micro-projects can be developed, thus providing jobs and supporting the local economy. Microcredit is booming, mainly in developing countries.

Here are some milestones in the history of microfinance apriţiei. In 1800 Lysander Spooner theorist wrote a paper in which underlined the benefits that they bring micro entrepreneurs and farmers, seeing in them a way to achieve social inclusion of the poor. Independent Spooner, Friedrich Wilhelm Raiffeisen founded the first cooperative banks lending to support farmers in Germany. Înanii 80 - Grameen Bank of Bangladesh Mohammad Yunus, pioneer of microcredit, as seen today. Another pioneer in this sector Akhtar Hameed Khan. At that time it introduced several innovations in this sector. Shorebank, founded in 1974 in Chicago, was the first bank microfinance and community development. The World Bank estimates that today more than 16 million people are served by 7,000 microfinance institutions worldwide. Experts CGAP (Consultative Group to Assist the Poor the) say that this means that about 500 million families benefiting from such small loans making possible new business.

Some principles that summarize a century and a half of practice was set in 2004 by CGAP and adopted by the G8 leaders at the G8 summit of 10 June 2004:

1. Poor people need not just loans but also by way of savings, insurance and money transfer services;

2. Microfinance must be useful to poor households: ajutându- them to increase revenue, purchase goods and / or can cushion against external shocks;

3. "Microfinance can pay for itself", grants from donors and government are scarce and uncertain, as such, to reach large numbers of poor people, microfinance must pay for itself;

4. Microfinance means building inst. permanent local;

5. Microfinaţarea means integrating the financial needs of the poor in the central financial system of a country;

6. "task of government is to enable financial services, not to provide them."

7. "Donor funds should complement private capital market, not compete with it";

8. Donors should focus on capacity building;

9. Microfinance should measure performance and to present both the financial and social.

From here we could also conclude that microfinance is seen as a tool for socio-economic development and can not be regarded as a charity!

Considering the above mentioned and linking with statistical statements poverty dramatic globally reported by global players of the (UN, EU, UNDP, FAO, World Bank, OECD, etc.) that "almost 3 billion people live on less than $ 2.5 a day and nearly 80% of the population lives on less than $ 10 per day; More than 1.3 billion people worldwide living in extreme poverty or absolute characterized severe lack of basic needs of existence; 1 billion children live in poverty; according to UNICEF, every day about 22,000 children die from poverty and hunger; 805 million people suffer from chronic hunger and malnutrition; over 750 million people lack access to drinking water, minimum health standards compliance; nearly 25% of the population (about 1.6 billion) live without electricity, 38% of adults globally have no access to basic financial services according to Global Findex 2014.

Corroborating the actual situation of the standard of living of the population globally with financing mechanisms identified by leaders of multilateral agencies, global banks, international financial institutions, the World Bank Group by His Excellency President Jim Yong Kim, the resulting global commitment Universal Financial Access 2020 having as target those 2 billion adults excluded financial, to achieve a percentage as high financial inclusion thereof, identify certain mechanisms and funding models to combat poverty, raising the percentage of social inclusion, economic and financial level local.

## Materials and methods

Regarding the Methodology of research on Microfinance, complexity and diversity of the issues addressed have required the use of Methods, Techniques, and Procedures tools and interpretation of scientific Investigation The which we attached to the particular Importance:

❑ documentation, namely accessing and studying general and specialized bibliography, domestic and foreign, state approach to knowledge Microfinance and rural issues investigated scientific substantiation of the research;

❑ rational method, used as instrument year of knowledge, reflection, analysis, organization and approach ongoing scientific research;

❑ integration of forms, methods and logical 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 national and international Institutions and 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.Yarmouth, we Achieved substantial and pertinent Analyzes and studies on rural Microfinance main ways, both Internationally and especially national. Our own contributions on the issue has highlighted investigated During research work and theoretical significance and the value resulting from the application Conclusions and Proposals That we have formulated and Promoted. Also, the results of research Were disseminated During 2015 in the frame of national and international scientific conferences and through publication in scientific journals I Attended, as author. The research results is presented Using tables, figures and graphs. The theoretical information for the research Needed 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 the Microfinance Institutes action involved action in the country and abroad as well as to public and private Bodies specialist.

## Results and discussions

### Microfinance in the current global context

We are currently witnessing many debates about the development of mechanisms to provide complementary financial products and services, for people excluded financial poor, and finding solutions for them to be taken out of absolute poverty and relative. By strategy microfinance institutions to provide capital, trust, financial advice, respect for this category excluded financial, comprehensive, primary knowledge and financial expertise on financial education, empowerment at the individual, relationship between actors, capital for entrepreneurs, digitizing technology services and rapid access to the market, financial institutions and other institutions support microfinance become active agents in combating poverty in all its dimensions and levels.

The integral development of complex potential human capital of the customer and / Family and the current system of social networks its favor the development of products well-established and innovative financial, whose repayment to have a majority share interest rate remunerative (or price) and costs reduced administration to ensure the economic sustainability of microfinance institutions well managed.

### Commodity in microfinance is microcredit.

The basic product of microfinance is microcredit a loan flexible, very small in terms of its size, intended to acquire productive assets in order to increase the incomes of those who accessed and allowing reimbursement person covered financially in a short period of time in small installments, secured more than moral type.

*"Microfinance loan size is small and in three dimensions:*

1. In absolute monetary value, compared to the standard business loan so as to operate in a segment where there is no banking competition;

2. regarding the debtor's income, so it is easier payback;

3. regarding portfolio lender, so the default of one borrower has no impact on financial soundness. "

***Loan size is kept small for the following reasons:***

A. for any portfolio, the more unique small loans, lead us to a large number of recipients, thus the greater the range of the target population;

b. objective of attracting people and keeping extremely poor funding mechanism not relevant to the richest people that are accessed from other channels of funding. This is important because, as a general rule, where both poor and non-poor are eligible for a credit line, non-poor will get a larger share of funds at the expense of the poor, because the non-poor are usually better educated, better informed, better able to meet the requirements more at ease in the relationship with the lender.

It is possible that changes in population target of reducing the number of extremely poor (for their definition or threshold becomes higher) to be in a positive direction based on this financial instrument microfinance in this way, in addition to micro- classic loan and other products are offered (eg larger loans).

The poor can afford to pay a base rate per annum, if the loan is to stimulate immediate result of his income and repayment in just a few months.

Keeping short-term repayment period forcing the borrower to focus on improving low-risk activity and is consistent with its current planning horizon of the short typical of the poor.

Microloans are solid opportunities to improve step by step in the lives of the poor. Microfinance microloans starts from the base to provide an integrated package of complementary services, including payment services, taking into account national specificities and local flexibly.

As a rule of thumb for the Adequate Remuneration of the loan, Muhammad Yunus (2007, p. 68) Has to proposed a Green Zone of interest at the market rate plus up 10 PERCENT, the Yellow Zone The which equals the cost of funds at the market rate plus 10 to 15 percentiles, and the Red Zone, where are the rates is Higher than in the Yellow Which is one and the moneylenders' Territory.

The lending institution can't afford the huge number of small John Beck, if the administrative cost of each procedure is high: it has to be be much Smaller than in a bank, shifting the burden of proof from the operation to the personality of the client. A deep understanding of Her / His history, way of thinking, motivation, trustworthiness, bonds to the family and the neighborhood, Reasons for being poor allows a Successful long-term relationship made up of recurrent loans each Fostering year Advancement In Her / His Life .

The theory of games has Shown That widely repetitive "games" (loans) generated a setting where are it is better for the borrower to pay back (so to have the prospect of obtaining trust again) than to cheat. Successful as They are, "tit-for-tat" strategies rely on the first positive move of the lender, WHO trust first, engendering economic year effect reinforcing the psychological effect of "demonstrating That WAS deserved trust".

Located near the offices has Microfinance clients, lenders and officers meet often There is a social control and due to face-to-face interaction in the neighborhood. In Some instances, officers apr Even Microfinance stable physical offices to renounce to travel and stay by Their potential clients, guested in Their houses.

**High ratio of repayment**, With 98% to 100% paid back loans on time, it is the strongest single reason presented by the largest microfinance institution for financial and political community skeptical. Yes, training neglected poor, illiterate and lacking formal living hygienically questionable after a life lived under very heavy customer can be good for financial products, keeping promises and activating all their energies to their business and personal.

A key success factor still is the recruitment policy of the institution micro finance, which should select people who care about the broader objective of the organization wishing to have a continuous concerns over the formation profesonale and adapt to all that is new in constant technical and interpersonal skills, and honest. A special monitoring system should be really in place to check fraudulent credit that is relatively easy business. Technology should be applied for recording transactions, but the bottom line is double checking organizational customers and employees.

Report refund quickly gained the interest of external donors for MFIs and its level under 98% put the institution under severe control. Prudential reserves built to cope with crime and pushing up costs tend to lead to higher interest rates.

To escape this nexus thorny difficulty, some MFIs have established a "zero tolerance", usually late payment. Even one day, not even a cent. A massive pressure is put on the poor, threatened and forced to pay.

Consequences for the organization are much deeper. Forced by ensuring 100% reimbursement on time, individual creditworthiness becomes irrelevant, there is no need to examine her / his personality is served everyone to ask for a loan.

However all this depends on the extreme pressure put on the poor whenever a tranche comes due. The staff is hard and assumes no reason to delay even minimal breaks the relationship of trust and respect, and the rough side of microfinance gets closer and closer to the moneylender. Indeed, if the poor do not have money to pay back, he will have to obtain it from moneylenders, paying by opening new loans at exorbitant rates, which can be easily growing debt. After paying back in time micro-loan, he / she is left with a mountain of debt elsewhere. The poor became poorer, oppressed, exploited, without hope.

If the loan was too high in terms of current income debtor than the default it is particularly easy. Low setting ceilings on the loan size in proportion to the debtors' ability to show regular income would reduce the probability and severity of default, although leap forward in life shortening and narrowing borrower outreach.

Coupling microcredit micro-insurance lead to better management of repayment default and default risk could be reduced to the lender while the borrower would be covered by it.

Poor service providing insurance against risks of any kind is mission micro-insurance. A little repetitive payment covers - in a pool of people - the likelihood of a negative event that performs deep one. By sharing risk, the price can be kept low and partners affected person disruption can be avoided.

Micro-insurance is getting into new areas such as health risks, damage to property in productive assets, climate change, crop insurance for farmers, housing storm damage, etc. These extensions are based on the observation that poverty can easily be the result of negative events that the poor are most affected by risks more widely and that their precautionary savings are badly needed resources to freeze.

A recent development in microfinance is to identify a digitized financial servicesIncorporated into a new good or durable equipment could improve the lives of the poor directly or through trade sales revenues through the services they provide.

For example, mobile phones were purchased by poor women in Bangladesh (using a micro-credit) and services of telephone calls sold the entire village, increasing not only income women (and her ability to pay back the loan), but also centrality its social ( "Before nobody invited me to cerimonies marriage, now I'm the first to know and be invited, because they use the phone to invite all others" as Muhammad Yunus cited the Asia-Pacific summit Microcredit CPC 2008).

"Partner key innovation is the manufacturer or service provider worldwide (eg mobile phone manufacturer or telephone company), which is extremely interested in selling in rural areas and the poor. By signing and implementation of franchise partnerships with economic giants or new entrants, MFIs vehicle modernization are areas in which it operates, entitles the technological level of their clients and to diversify their products. In other cases, microfinance institution could be selling durable goods directly margin operating business to contribute to fixed costs. "

In the context of global climate change a particularly important categories of durable goods, which should be channeled through such agreements are green clean technology, eg lighting systems powered by solar energy.

## Microfinance for integrated supply chains

MFIs in different locations may prove to finance large groups and overlapping businesses that could become suppliers and customers to each other. It is frequently the case that, at different times and in different MFIs, their clients understand growers farmers, processors, small craftsmen and producers, street vendors, small shops, and even transport operators and logistics and other providers of input and specializate.Prin recognition service potential commercial cooperation between them to build consistent and smooth supply chains, networks of MFIs can boost their income customers, making them more reliable borrowers, as the latter to take advantage of matching counterparts peer in terms of size, market power, knowledge and attitudes.

On the other hand, micro-credit for working capital firms unique is somewhat a result of the operation relatively primitive supply chain itself as under developed, suppliers do not require cash on delivery, but rather to issue an invoice whose payment will be due later on (eg 30, 45, 60 or 120 days), so as to allow the company to sell and be paid earlier than the supplier.

Microfinance currently enjoys strong growth and steady worldwide and confirms the important role of microfinance institutions in poverty reduction:

## Microfinance in rural areas

Support and revive small-scale farming requires a comprehensive platform of political and developmental initiatives that are tailored to the unique needs of farmers and diverse family farms;

To keep the long tradition of farming family friendly policies and regulations are necessary 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 small farmers the help they need to be competitive in a market increasingly globalized;

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

The European Commission and the European Investment Fund mobilizes this year from € 237 million in loans to support 20,000 micro-enterprises in the framework of the European Programme for Employment and Social Innovation (EASI). European Investment Fund (EIF), which manages EASI guarantee on behalf of the European Commission, and six microfinance institutions are signing agreements to guarantee that funding will open access to micro-enterprises. They will contribute 17 million euros to guarantee signed today, which is expected to lead to micro-credit worth 237 million euros. The six agreements guarantee target those who want to start or further develop their own micro-enterprises, especially people who have difficulty entering the labor market or in access to finance. These first offers that allow micro credit contracts will be signed between the EIF and Qredits Microfinanciering (Netherlands), Association pour le Droit à l'Initiative Economique (France), microfinance Ireland (Ireland), PerMicro (Italy), Kutxa / Caja Laboral Popular (Spain) Nextebank (Romania) covering six countries only 5 months after the launch of EASI. In total, the security EASI 96 million is expected to provide leverage more than 500 million euros in 2014-2020, loans to promote jobs and growth in Europe over the next 15 years, unlocking a total of 30800 microcredit and 1,000 credits for social enterprises. Guarantee of 96 million euros for microfinance providers or social financing is managed by the EIF on behalf of the European Commission. EIF will not provide direct financial support to enterprises, but will implement the facility through local intermediaries financial, such as microfinance institutions, finance and social guarantee, and banks active in the EU-28 and more countries participating in the program EASI . These intermediaries will deal directly with stakeholders to provide support under warranty EASI.

Microfinance in Europe is gradually being established as a social policy tool essential for promoting self-employment and micro-enterprise support fight against social and financial exclusion. This is demonstrated by initiatives and support from the European Commission under the "Programme for Employment and Social Innovation (EASI) 2014-2020." In this respect, the Commission considers that the following types of loans as microcredit:

Business -Microcredit a loan under 25,000 euros to support the development of self-employment and micro-enterprises and

-Microcredit Personal loan under 25,000 euros to cover the needs or personal consumption, such as rent, personal emergencies, education, etc.

We are currently witnessing several microfinance innovations requiring legal and regulatory reforms, modernization of property registries, investment in information infrastructure, and massive efforts in education. It must be remembered that most institutions involved in agricultural lending are small and not regulated. They use technologies adapted micro-credit that do not meet the needs of farmers, especially regarding the need for borrowing and repayment frequency. These shortcomings default risk itself. Donors and governments can play a vital role in supporting these smaller institutions to grow, consolidate and, eventually, to activate the market. They can also help financial intermediaries rural liability by mobilizing savings, access to capital markets, and the provision of credit lines that would facilitate long-term lending. Capacity building of consumer financial means to do more with the little handy prepares people without access to conventional banking services to enter the formal financial system. Also means improving the performance of financial services providers. Specialized in microfinance institutions have emerged in the small business sector development start they needed, in addition to financial support (microcredit), specific training - training and financial consulting. Due to the lack of specific financial experience in business, small entrepreneurs need continuous training and consulting, and opportunities to interact with other businessmen. Currently in Romania there are three main categories of actors in the market for microcredit encounter:

- First category refers to entities cooperatives inspiration: the specificity of this type of system is to build micro-credit institutions (NBFIs), based on the organization's members. One of the most popular forms of this is represented by the cooperative credit;

- The second category refers to non-governmental organizations with the aim to achieve financial intermediation;

- The third category refers to banks on the market that specialize in microfinance services to micro-antreprenoripropriilor households and economic activities.

The provision of microfinance in rural areas requires MFIs to adopt innovative responses in order to reach rural entrepreneurs in an efficient and sustainable, practitioners might find these useful lessons learned to design future strategies. Inventory of best practices collected, a common set of lessons learned:

- A value chain approach facilitates the adoption of innovations to customers and increase profitability Rural Affairs. For the IMF, it is important to develop links between businesses market, suppliers and end markets. In fact, contracts between producers and sellers and / or providers reduce price risk, enhance production quality and help guarantee repayment. To be most effective, these arrangements could combine technical assistance and provision of specified inputs on credit.

- Developing partnerships and alliances with institutions and infrastructure can facilitate increased mobilization and provision of various existing services, thus ensuring better conditions for customers in rural areas. Collaborating with governments and local NGOs / associations, partnerships with commercial banks or development alliances innovation, including new stakeholders (eg customers of rural entrepreneurs ") may be beneficial to reach a better out and meet the needs of entrepreneurs in rural rural.

- Developing products and flexible services tailored to the needs of rural farmers / entrepreneurs need in rural areas. Payment flexible repayment schedules and guarantee schemes to allow MFIs to attract more customers. However, the terms and conditions of loans should not compromise the sustainability IMF (portfolio quality, liquidity management, etc.). A key role in assisting clients in rural areas is to define the terms and conditions of the loan officer, who should be chosen with care in rural areas, well prepared and targeted customers in the field.

- Technology reduces transaction costs for both parties (lenders and borrowers), and creating sustainable rural financing potential. IMF introducing technological innovations in their operations are able to reduce transportation and communication costs are higher in rural areas. Training and commitment lending and back office staff are critical to a successful introduction of non-traditional instruments.

Must risk management activities to be improved constantly, thus the financing agriculture can flourish. Measures have been taken in recent years by reducing access to information and transaction costs through borrowing group. However, uncontrolled risk continued to be a major impediment to the development of rural financial markets effectively. Public-private efforts should be renewed and enlarged platform-needed investments at various levels to address these issues. Farmer level, governments should stimulate the recovery of agricultural extension services, while farmers have become so that financial education to be able to take some risks. Governments, donors, and insurance companies should work together to develop insurance products as yield are cheap, durable and designed properly. Governments, stock exchanges and financial institutions also need to work towards the development of structured financial products, and other instruments hedging the price and reduce risk. 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 are 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 sectors of their local vital for the economic consolidation of settlements and human welfare. It is about creating institutions specializing in microfinance to finance economic entities with legal personality: non-banking financial institutions in rural areas to support crediting legal entities and individuals active: institutions to carry out microfinance activity, educational institution specialized in rural areas . Capital required to establish such institutions should be ensured through government financial contributions for the payment to be repaid in time. Another important aspect is to create innovative models of microfinance and training of human capital involved in providing financial services in rural areas and in the financial education of those who accessed microcredit. European and world are currently trying to carry out special programs for microfinance in rural areas. These concerns and decisions can directly influence the development activities in rural areas through access to microcredit. We are at the stage where we are obliged to approach decisions leading to the reestablishment of new principles of lending institutions to ensure local stakeholders and vital sectors and localities to strengthen economic welfare. It is the establishment of banking institutions to finance economic entities with legal personality: banks, in rural areas, where crediting legal entities and individuals active: banks to finance exclusively educational or health institutions in rural areas. Capital required to set up such institutions should be ensured through government financial contributions for which payment to be repaid in time. In this action may be involved and the 25 commercial banks operating in Romania and food companies are involved in lending. To achieve this goal of establishing a national system of microfinance rural areas should be started from what was good in the credit system areas in Romania in the interwar period, especially from existing models today in some European Union countries, as well as models of microfinance in countries on other continents.

## Agricultural cooperative role - in Romania and worldwide

Recently the Law no. 164/2016 amending and supplementing Law No agricultural cooperatives. 566/2004 and for the establishment of measures for its application. The law establishes the legal framework of the organization and functioning of cooperatives in agriculture, agricultural cooperative is an autonomous association of individuals and / or legal, as appropriate, legal entity of private law, established on the basis of their expressed consent of the parties and which is organized and It operates according to this law. Thus, the agricultural cooperative is an autonomous association with an unlimited number of members with variable capital, which operate economic, technical and social development in the private interests of its members.

By the proposals, the definition of agricultural cooperatives Grade 1 includes individuals, freelancers are entered here, for clarification, individual enterprises and family enterprises defined according to GEO no. 44/2008, under the basic regulation of the economic activities by authorized individuals, sole proprietorships and family businesses, as amended and supplemented. Grade 2 agricultural cooperatives are the new vision, corporate consist of individuals of freelancers, being here introduced individual enterprises and family enterprises defined according to GEO no. 44/2008 and legal persons, where appropriate, to integrate horizontal and vertical economic activity performed by them and approved in accordance with law no. 566/2004 (Eugen Staicu – www.legestart.ro).

Matching Art. 6 includes cooperative agricultural cooperatives, legal entities and industries in areas such as: a) agricultural service cooperatives, cooperative system which provides services for small producers; b) purchases and sales of agricultural cooperative that organizes both purchases of materials and technical resources required for agricultural production and sales of agricultural products; c) agricultural cooperative agricultural product processing, which provides typical products, branded with permanent presence; d) agricultural cooperatives and small manufacturing industry in agriculture; e) operating agricultural cooperatives and agricultural land management, forestry, fisheries and livestock; f) for financing agricultural cooperatives, mutual assistance and agricultural insurance; g) agricultural cooperatives types mentioned above and the other which will be in compliance with this law.

Agricultural Cooperative commercial activities, is producing goods and services in agriculture following in this order: a) providing the conditions for obtaining economic advantages by all cooperative members; b) ensuring supply requirements cooperative members with the means of agricultural production; c) the acquisition of agricultural goods of vegetable, animal and fish, according to market standards; d) creating conditions for agricultural products processing plant, animal and fish products to be obtained finished food quality standards and consumer market; e) recovery of production achieved; f) socio-economic development of rural areas. Agricultural cooperatives cooperative based on the following principles:

a) the principle of voluntary association and open;

b) the principle of democratic control of cooperative members in the cooperative;

c) the principle of economic participation of cooperative members;

d) the principle of autonomy and independence agricultural cooperatives;

e) principle of education, training and information cooperative members;

f) the principle of cooperation between agricultural cooperatives;

g) the principle of concern for community sustainable development.

## The cooperative movement in Romania - brief history

The cooperative movement has a long tradition in Romania, our country is, together with cooperative organizations in England, Belgium, Italy and France, a founding member of the "International Cooperative Alliance (ICA)" (...). A precursor was Spiru Haret (1851-1912) who in 1899 initiated a bill on the establishment of Popular Banks, teachers involved in cooperative activity, setting obştelor lease, organizing consumer cooperatives and others. After World War it, an outstanding representative of the cooperative idea was Gromoslav Mladenatz (1887-1958), which made higher education in Germany, finalized by obtaining doctorate in economics thesis "The concept of cooperative". Professor at the Academy of High Commercial and Industrial Studies between 1929-1951, is the author of "cooperative Treaty" (1933) and the book "History of cooperative thinking" (1935). In his book "History of doctrines cooperatives" (1931), the cooperative represents "a free association of a number of smaller producers or consumers, which estab inţau a joint venture through which an exchange of services between partners." The first forms of association in rural Romania have emerged with the introduction of modern cooperative principles embodied by Ion Ionescu de la Brad (1818 - 1891), economist, statistician, agronomist, prominent representative of the Romanian agricultural sciences. He expressed his viewpoint on the different types of associations in the popular publication "Romanian Peasant." Thus, the first association of the economy, credit and mutual aid be taken first in Bistrita in Transylvania County in 1851; in the town of Braila in 1855; Brad Roman village in the county in 1860; Rasinari village in the county of Sibiu in 1867 and in Bucharest in 1870 (*Professor MARIUS BĂCESCU, rural cooperatives - a chance to revive the village Romanian* Academy of Scientists in Romania, Romanian Statistical Review nr. 6/2010).

The cooperative was in the sense of time, a collective economic unit, which address various occupations with low economic potential: small farmers, craftsmen, employees. The aim of the meeting was cooperative associate members of needs and to obtain benefits from this activity. Thus, the cooperative system not abolish property and freedom, but make them available to the masses, as producers and consumers, expanding the social basis of a democratic society. Agricultural cooperatives as a form of associative work undertaken jointly, in his opinion Mladenatz was the only form of social organization that peasant economy by combining individual ownership of land with modern agricultural collective ownership of the inventory. As the price falls to Romanian agricultural products in the international market during the economic crisis of 1929 - 1933, he recommended the involvement of cooperatives in grain trade, in order to eliminate intermediaries and adopting a structure of production effi cient. Establishment of farmers in associative assess it opens new opportunities for economic development by attracting local advantages, and using zonal or regional power in order to increase prosperity collective members, their families and community (*Professor MARIUS BĂCESCU, rural cooperatives - a chance to revive the village Romanian Academy of Scientists in Romania, Romanian Statistical Review nr. 6/2010)*.

## Beginning of cooperative movement in Europe

Consumer cooperative in the small English town of Rochdale (founded in 1844) is considered the first modern cooperative, which was based only on its own members without outside help. It began as a consumer cooperative and evolved into-a multi-purpose cooperative with social and economic activity. Modern cooperative leaders in England were Robert Owen (promoter autosusţinerii workers - suggesting consumers-Create associations) and William King (who supported the voluntary nature of cooperatives, but also political neutrality and religious identity), France Charles Fourier, Philip Bsan (founder of the first production cooperatives) and Louis Blanc (proposed replacing free competition with co-production) in Germany Victor Aimé Huber (precursor to consumer cooperatives) and Ferdinand Lassalle (supported freedom and independence from state cooperatives). In Germany it creates for the first time cooperative lending to farmers taking-I Friedrich-Wilhelm Raiffeisen as a starter (1864).( Filip ALEXANDRESCU, Flavius MIHALACHE, social economy and cooperatives, Expert Publishing House, Bucharest, 2011)

## Agricultural cooperatives in the European Union

After creating the EEC, the cooperative structures by organizing producers mutated form cooperative unions local, regional federations branches and products, integration cooperatives with national companies or multinational corporations (*Luminita Zahiu - political future structure of agriculture and agricultural, Economica Publishing House, Bucharest, 2003)*. EU countries are agricultural cooperatives in shapes and types that vary by country, and are essentially based on the same principles of organization and operation that are based on Directive. 67/532/25 European Council in July 1967 and which relate to agricultural cooperatives. With this directive ,, cooperatives are entities that the law of the State are named as such, but is based on cooperative principles. EU agricultural cooperatives is organized on three levels as follows:

1. At primary level associates farmers in simple forms of associations in the European Union are called cooperative degree they were formed for the joint execution of the following objectives:

- Agricultural works;

- Joint exploitation of the earth;

- Joint use of production capacities;

- Or to make investments in various fields.

2. At the secondary level are organized associations of agricultural cooperatives primary cooperatives which are called Tier II and aimed to invest in upstream and downstream agriculture for collection or processing of agricultural products (*Dumitru Musca - Forms of association in EU agricultural, Mirton Publishing House, Bucharest, 2000)*.

3. At tertiary level cooperatives are organized by grade III, regions or even nationally by participating cooperatives Grade II forming financial groups, commercial and industrial powerful. These include networks of cooperative factories that provide processing and marketing or banks by bringing together expertise and resources in a particular area or region. It is worth noting that EU Member States have not organized agricultural production cooperatives, the land and to bring those lands to work jointly modeled former communist countries. The exception is East Germany, where he held a number of cooperative production, large over 1500 hectares. But these cooperative owned land owners. They hold about 38% of the agricultural area of the East German Länder (http://*www.europa.eu.int European Institute of Statistics EUROSTAT- year 2005)*. Farms, especially small developing cooperative ties and integration with large agrifood companies, which take over Raw agricultural contract. The Western European agrifood promote cooperation in all forms of social organization of farmers: small farms, medium and large agricultural cooperatives and cooperative societies, national or transnational food companies.

In Western European countries, specialized farms is an important feature of the production structure, determined by technical and technological modernization and deepening division of labor. Specialization requires the development of cooperation between agents along food production chains, based on the supply of inputs, production of agricultural raw materials, storage, processing, marketing of products. The principles underlying relations of cooperation in agriculture European Union are:

- Freedom of choice of the form of cooperation;
- Obligation on members to bring equity and the economic activity of the cooperative participate in the delivery of products, compliance technologies for the production of agricultural raw materials delivered to the cooperative;
- The principle ,, a man -a vote "the decisions taken at the cooperative regardless of capital;

•The principle of the cash dividends under statute;
•Principle of territoriality, "or limiting the scope of action of a given community cooperative.

In the European Union, agricultural cooperatives are represented by national organizations and are directed and supported by Community bodies: the General Committee of Agricultural Co-operatives (COGECA), the Committee of Agricultural Producers (COPA) and the International Cooperative Alliance (ICA).

## Case studies

***FRANCE -*** In France there are 21,000 cooperatives, which include about 75% of French farms. It shows that 3.5% of the economically active population is part of the agricultural associations. In addition to production cooperatives French offers advice to its members. Due to the long experience they come with valuable advice in terms of agronomy, economics and strategic planning. Mentioned that they contribute actively to the development of environmentally friendly agriculture. Cooperatives are investing in innovation, expanding their sphere of activity and finding new sources of revenue. An example is investment in biofuels. Also, farmers' associations are using different management tools to control developments in agricultural prices. That does not mean that their members are reshaping agriculture still remains their core domain. Come to help and credit unions. For example, in 2013, the cooperative bank Crédit Agricole has reported the highest revenues in the system. Two other associations in the same sphere, Groupe BPCE and Groupe Mutuel Crédit, occupied third and fourth in the ratings. French unions were permanently in a constantly changing, adapting to the economic environment. They started by gathering the harvest together, then gradually came into cooperative groups. If at some point, someone in the group wants to increase profits, not only create strategic alliances. Alliances allow them to reduce costs, exchange experiences, and to consolidate the leading positions in the sector. Since French law restricting the activities of cooperatives in a particular territory, they were forced to develop their own structures to expand and be competitive. Accordingly, although the number of cooperatives decreased after mergers and takeovers, their incomes were instead on growing.

***SPAIN*** - About 15% of the population is framed in cooperative organizations, most of which were established under regional legislation, not national ones. Unlike other European countries, the number of Spanish cooperatives is above average. At the same time they are quite small, only 39% of them having over a thousand members, which prevents them obtain higher profits. As numerous as it is different: from modest local cooperative to cooperative with deliveries to industrial level. There are large cooperatives that process the products they sell to retail distributors. However, about 75% of the turnover reported by the Spanish cooperative societies are in the hands of a quarter of the cooperative and this because of mergers and takeovers.

***ISRAEL*** - About 70% of agricultural land in Israel are processed by cooperative members. The association is voluntary and is not prohibited out of the cooperative. People in the forefront unions are democratically elected, usually from among its members. Sometimes lead people come from outside but must necessarily have experience in the management of cooperatives or to members of other agricultural cooperatives. Are closely linked, Israeli agricultural cooperatives are organized on two levels: locally and regionally. The local first grade are divided into three types: unions at the village level, kibbutzim and moshavuri, the last two being the most numerous. The difference between these three forms of organization makes controlling how production and consumption cooperatives. For example, in kibbutzim community decides how much each family needs to live, and moshavuri is a private matter. Moshavurile are kibbutzim and production cooperatives in which decisions concerning the household are taken collectively. In kibbutzim land belongs to the community, or as agricultural machinery, and economic activity responding elected leadership. Members of kibbutzim have no right to have around the house plots on which to process them individually. In moshavuri land belonging to each household individually, as well as buildings on their lots or agricultural machinery, and the decisions taken by each family. It can be said therefore members moshavurilor are actually individual producers working for their own farms. Use the services of village-level cooperative for: farm supplies are collectively harvested and transported goods together local traders, and maintain machinery and workshops for their usage in common. Also, these unions may lead to harvest production accounts or other customers. Second-degree cooperative organizations operating at regional level and falls within their local kibbutzim and moşavurile, not individual farmers. These handles sorting and packaging production harvested and are responsible for warehouses, factories for the production of mixed fodder, elevators and gins cotton - cotton ginning machinery. All these deals and processing plants. Second-degree cooperatives belonging and acquisition organizations. They offer professional advice and unions dealing with computer data processing. The important thing is to play the role of financial intermediaries between farmers and banks, helping the first to obtain and share the credit.

***USA -*** There are less cooperative than in other countries, only three thousand to many. Instead most American farms are part of them. Thus distinguish cooperative selling, closing of transactions, supply and credit. Cooperatives sales charge of processing and marketing of agricultural products. Basically everything increases and US produce is managed by cooperatives. Also they provide jobs for most residents of rural areas. Help farmers who do not know how to negotiate wine cooperatives specializing in concluding transactions, which helps obtain reasonable prices for the goods they produce. Farm supply cooperatives engaged in the manufacture, sale and distribution of products essential for proper administration of the household, such as fuel. From the banks credit cooperatives and associations are part of the credit system in agriculture. Besides loans, they support farmers and other operations, such as export financing. Depending on the goods delivered to each farmer a percentage of sales lies with the union, depending on which is calculated profit to farmers. Specifically, after processing, processing and marketing of cereals and other commodities. Cooperative businesses are totally in her hands or, rather, in the hands of a board of directors elected by its members. It noted that every member is entitled to a single vote and all votes are equal, unlike limited companies or other business.(http://agrobiznes.md/)

Through the system of cooperative can be created funding mechanisms to support business development members and training (increasing financial literacy) level members both at the administrative level and at the level directly productive to train for jobs at an entity level as opportunity for rural residents.

Funding programs at a cooperative helps provide capital, technical support, educational opportunities and antreprenorilae that can help local residents with a direct impact in the development of member companies and increase the number of jobs in the community cooperative.

## Conclusion

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 has 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. (Paper Otilia Manta, www.ibima.org).

The Specialized micro finance in rural development is the pillar of support for small businesses, sustainability and rural Improving Their real life. 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 shouldnt BE 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.

Rural Areas, as Reported by the EU Rural Review, has generated Foreca to 48% of the gross value of the EU economy and 56% of total employment in the Member States. A typical characteristic of the rural economy is the presence of small and medium enterprises (SMEs), many of Which has micro-enterprises with a high percentage of self-employment jobs. Innovations in Microfinance for rural area, especial for poor farms, and have a big potential to directly impact the food security for the poor farms. The analysis of the rural area for Microfinance is a big gap of knowledge, especially regarding the Possibility of integrated services in agricultural Microfinance.

In the International Food Research Institute (IFPRI) from World Bank - Vision 2020 WAS to conceptualize and assemble the concept of Microfinance rural and agricultural to bridge the gap of knowledge by Promoting innovation in the Provision of financial services for rural households and Creating new innovative directions Risks and manage the run for the rural poor. The Importance Of The Realities of Rural Areas facing small farmers, Including low education levels (According to statistics provided by the National Institute of Statistics) and the lack of access to modern financial instruments According to size and Their Requirements, lead us to claim That Currently dominant subsistence agriculture (in Romania, Currently, about 2.5 million farms There has semisubzitenţa According to statistics). That mean we thes Conditions, Those Involved in Developing new models for Microfinance Institutions must create new and innovative badly Needed to be closer to the Needs Funding for small and midle farmers. Digitisation Existing technologies offer us new concept in Microfinance with direct impact on final costs. The new Microfinance facilities have direct impact to address the Risks faced by small farmers and midle. The combination Between the financial services and non-financial services Such as technical support services, marketing and financial consulting offers the integration of ITS in the complete production value chains. Finally, from the micro level at the macro level, it is Necessary to Create an enabling environment for the development of Policies and the legal framework for the Implementation of Rules and Regulations, European and international Also, rural infrastructure and support contributes greatly to Sustainable access rural Microfinance to reality.

We are witnessing Currently in the increasingly Concerns UN member states on Sustainable Development Goals (Sustainable Development Goals) targets That has a series of targets That Will states use to realize policitile the next 14 years. Given That Currently the global witnessing Increasing poverty, unlike the Objectives set out in Agenda 2015 (in Which I included the development goals of the millennium) the wealthiest involved action for Those in Need (disadvantaged) under Agenda 2030 is major Involvement of the states, each Member hazel rings collectivity is present generation and the generations GMT.

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