

MICRO CREDITS - ALTERNATIVE FINANCING FOR RURAL FIRMS

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SUMMARY

Microfinance activities in Eastern European Countries and in Romania started around ten years ago when the first international microfinance institution launched their Small and Medium Enterprise Development and Microfinance projects in Romania.

Within the last years, 2003 -2006, the sector evolved rapidly and became more efficient and productive in achieving its mission of providing support and services to underserved entrepreneurs. Now the Romanian micro financing sector is entering in a new stage of development characterized by efficient financial services with positive social and development impact. The clear, coherent and supportive legal framework created in the last years is an argument in that sense. The micro financing sector strategy is focusing on the: improvement of performance indicators, especially operational and financial sustainability; increase of portfolio capital through borrowing from investors and banks and diversification of financial products offered to the clients. Within the last years the Romanian micro financing institutions registered positive quality indicators, operational sustainability, and since 2005 they registered a positive financial self-sufficiency.

The micro financing institutions serve the clients using many different methodologies: individual lending, group guarantee, technical assistance and training, networking etc. and also they use commercial principles to achieve sustainable and efficient activity, reaching a large number of clients who would otherwise not have access to affordable financial services. The main beneficiaries of these financial services are the small and medium firms, especially the agriculture ones. Thus, thousands of Romanian firms could benefit from the new Romanian Program of micro-financing launched by BERD, EU Commission, Romanian Government and commercial banks in value of 82.5 million Euro. This program was created in order to improve the access to the financial services for the entrepreneurs, especially the ones from rural areas, which had limited access to these services so far. In order to attract funds needed to serve properly the increased number of clients the micro financing institutions have to become efficient and innovative in adapting the microfinance products and procedures to the specificity of the Romanian financial culture.

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