

## **Agricultural Credit and Risk**

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### **SUMMARY**

Agricultural credit means a certain degree of risk for the banks. Commercial banks are constantly following on risk quantification, especially in what the crediting of economic sectors with high risk exposure, like agriculture, are concerned. Agricultural credit brings along specific risks for the commercial banks, connected to: the pressure from the natural and economic environment; the season character of agricultural production and the quality of agricultural products; the perishable nature of agricultural products; the influence of conjecture factors which affect the organization of marketing and selling agricultural products; the time gap between the harvesting and selling of products; the time gap between the culture seeding (the expenses) and selling of production (obtaining income), etc. Knowing the dimensions of the agriculture credit risk implies approaching it from many different aspects. Commercial banks must analyze and identify specific risks for agricultural crediting. Approaching risk in crediting agriculture is made under the following provisions: 1. Identifying risks in all five stages of the crediting process; generally, the crediting process of an agricultural exploit supposes the unfolding of five stages, meaning: asking for credit, the analysis and evaluation, the approval of credit, the giving of credit and the reimbursement of credit. Each of these five stages of the unfolding of the crediting process has specific risks. 2. Eliminating liberal or hazardous banking practices, which may increase crediting risk, is necessary. These banking practices refer to over-crediting, liberal practices in giving credits, selecting agricultural clients on political or clientele preference criteria and not solvability criteria, a superficial analysis of the financial situation of the client, etc. 3. Constituting and consolidating guarantees (collaterals) required by banks. 4. Respecting some general criteria and specific criteria in accessing agricultural credits is also important. The paradox of the situation is that form the desire to diminish the crediting risk in agriculture the commercial banks require especially housing and building guarantees (mortgages). The banking practice has proven on the other hand that these guarantees have they themselves high risks in selling them in comparison to other collaterals.

**Keywords:** crediting process, collaterals, agricultural clients, banking practice

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