
PhD THESIS

Market analysis of microfinancing services for the rural environment in Romania

(SUMMARY OF PhD THESIS)

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SUMMARY

Microfinance represents an important tool used globally for combating poverty and improving living standards. The purpose of this research is to analyze the satisfaction level of rural beneficiaries regarding the services of microfinance institutions. At the same time, the research aims to identify the main benefits and difficulties encountered by clients during the implementation process of the microfinance program, as well as the perception of beneficiaries regarding microfinance services. In order to achieve the research goal, a series of secondary objectives were established:

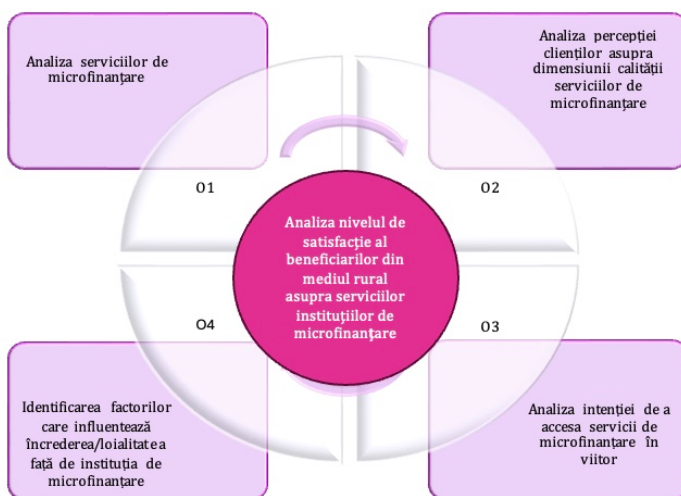
1. Analysis of microfinance services based on bibliographic study: it included information about microfinance services in Europe, microfinance services in Romania, the legal framework of microfinance institutions, as well as the importance of customer satisfaction. The bibliographic study was based on scientific articles, statistical databases, and reports from various organizations;

2. Analysis of clients' perception of the quality dimensions of microfinance services using data collected through a questionnaire;

3. Analysis of the intention to access microfinance services in the future;

4. Identification of the factors influencing trust/loyalty towards the microfinance institution, using regression analysis.

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Research objectives Fig.1

Part I. Current state of knowledge. Information about microfinance

In the current legal framework that regulates microfinance activities in Romania, there is no specific definition of microcredit/microloan or microfinancing. Therefore, the definition below, used in the European Union, is generally accepted by the sector and stakeholders: "Microfinance includes guarantees, microcredits/microloans, equity investments, accompanied by business initiation and development services, offered in the form of individual advice, training and guidance, given to individuals and micro-enterprises who encounter difficulties in accessing financial services for professional purposes and/or to finance income-generating activities" (STRATEGIC BENCHMARKING OF THE MICROFINANCE SECTOR, 2020).

The microfinance sector in Romania has seen a significant evolution since its beginnings:

1. The first years (1992-1995): The first international microfinance institutions launched programs to support the development of the private sector by financing the establishment

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and development of farms and small businesses in Romania (BENCHMARKING MICROFINANCE IN ROMANIA 2019-2020, 2021);

2. Rapid growth and development (1995-2009): The microfinance sector in Romania grew rapidly and became more productive and efficient in providing financial products and business development services to farmers and entrepreneurs with limited access to financial services. This growth was facilitated by the adoption of the Microfinance Companies Law: Law no. 93/2009 (INCLUDING ENTREPRENEURSHIP POLICIES: COUNTRY ASSESSMENT NOTES: ROMANIA, 2018);

3. Increased access to European funds (2009-2020): Romanian microcredit providers were major beneficiaries of European financial and technical assistance programs such as JASMINE, Progress, EaSI, FEIS and COSME (BENCHMARKING MICROFINANCE IN ROMANIA 2019-2020, 2021);

4. Certification and compliance (2016-2020): Microfinance institutions in Romania have been actively certified as complying with the European Code of Conduct for the provision of microcredit. By 2020, 34% of all European microfinance organizations certified as compliant with the EU Code were from Romania (BENCHMARKING MICROFINANCE IN ROMANIA 2019-2020, 2021);

5. Benchmarking and performance (2019-2020): The Romanian Microfinance Association conducted a benchmarking study to assess the performance and impact of the sector. The study highlighted the growth of the sector, the value of the microfinance portfolio and the number of micro-loans granted doubling between 2016 and 2018, exceeding 280 million euros and 90,000 beneficiaries (BENCHMARKING MICROFINANCE IN ROMANIA 2019-2020, 2021);

6. Impact and recovery of COVID-19 (2020-2021): The pandemic had a significant impact on the sector, the value of the portfolio and the number of customers who deferred loan payments increased. However, the sector has shown resilience and is expected to continue supporting entrepreneurs and farmers (BENCHMARKING MICROFINANCE IN ROMANIA 2019-2020, 2021);

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Overall, the Romanian microfinance sector has evolved since its inception to become a major player in the country's financial landscape, with a strong focus on supporting small businesses, farmers and entrepreneurs.

Part II. Personal contribution. Research material and method. Results and discussion

Agriculture has a significant role in Romania, considering the size of the rural population and the level of employment. Approximately 45.7% of Romania's population lives in rural areas, compared to approximately 23.6% in EU member states. There are significant differences between rural and urban areas, the former being characterized by a considerably higher level of poverty and a lower standard of living.

The importance of small farmers:

1. Prevalence and land use;
2. Contribution to food security;
3. Social and economic functions: social protection, economic buffer, environmental conservation;
4. Rural social structure;
5. Challenges;
6. Diversification and stability;
7. Regional importance;
8. Patterns of food consumption.

Data collection and analysis methods

Developing the research plan involves a systematic process of collecting, analyzing and interpreting relevant information and formulating the conclusions of the study conducted (KOTLER, 2016). The stages of research may vary depending on the specifics of the study and the method used, but generally include defining the problem, developing the research plan, collecting data, analyzing the data, and presenting the results (MCDANIEL, 2013).

SERVPERF method

SERVPERF is a service quality measurement model developed to evaluate service performance based on customer perceptions. Unlike the SERVQUAL model, which compares

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expectations and perceptions, SERVPERF focuses exclusively on customer perceptions. Developed by Cronin and Taylor in 1992, this model has proven to be a robust tool for assessing service quality in various industries.

The SERVPERF model was introduced as an alternative to the SERVQUAL model, developed by Parasuraman, Zeithaml and Berry in 1985. SERVQUAL measures service quality by comparing customer expectations with their perceptions of service performance. However, Cronin and Taylor (1992) argued that customer perceptions of performance are a better predictor of customer satisfaction and loyalty than the difference between expectations and perceptions.

The SERVPERF model uses the same five-dimension structure as SERVQUAL: tangibility, reliability, accountability, assurance, and empathy. Each dimension is assessed through a series of questions and the scores are aggregated to provide an overall assessment of service performance. According to CRONIN (1992), the SERVPERF model provides a more accurate assessment of service quality due to its exclusive focus on customer perceptions.

Results and discussion

To identify the beneficiaries' perception regarding the services offered by the microfinance company, a set of questions were applied to which the beneficiaries had to express their degree of agreement on a scale from 1 to 5, where 1 means total disagreement, and 5 means total agreement. The results indicated that the respondents are satisfied with the services of the microfinance company, especially with the professional behavior of the employees (4.85), waiting time for receiving the loan (4.88), the terms of granting loans (4.76), the maximum amount that can be borrowed (4.75). The aspect they are least satisfied with is the interest rate (3.96).

It can be concluded that the company has adapted its services to the expectations of clients, meeting and satisfying their needs in terms of microfinance credits. This fact is also reinforced by the attitude of the respondents towards the willingness to recommend the services of family and acquaintances,

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respectively to call on microfinancing services in the future (4.71) (Table 1).

Table 1.

Satisfaction level of the beneficiaries (%)

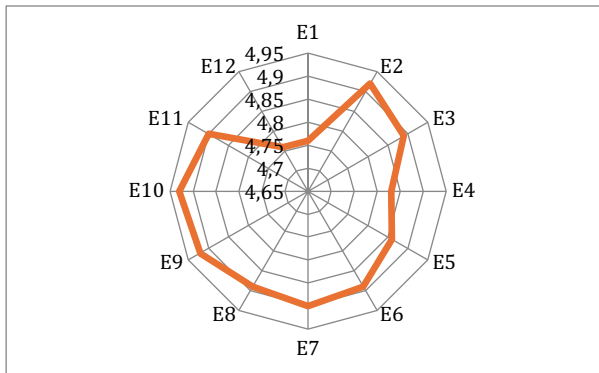
Afirmajii Statements	Nivel de satisfacție Satisfaction level				
	1	2	3	4	5
Waiting time to receive the loan	0	0	2,0	8,0	90,00
Guarantees required for credit approval	2,0	3,0	7,0	14,0	74,0
Credit granting documents/procedures	1,0	0,0	0,0	13,0	81,0
Maximum loan amount	0	1,0	4,0	14,0	81,0
Interest rate	7,0	8,0	17,0	18,0	50,0
Loan application fee	2,0	3,0	17,0	14,0	64,0
Loan savings requirements	0	1,0	22,0	12,0	65,0
Grace period	1,0	1,0	8,0	15,0	75,0
Loan repayment period	0,0	0,0	8,0	15,0	77,0
Arrears payment system	3,0	0	5,0	15,0	77,0
Loan granting conditions	0	1,0	2,0	17,0	80,0
Professional behavior of employees	1,0	0	1,0	9,0	89,0
The company's non-financial services	1,0	0	3,0	10,0	86,0
I will use the services of the microfinance company in the future	2,0	1,0	3,0	9,0	85,0
I prefer this microfinance company over other microfinance institutions in the future	3,0	2,0	3,0	9,0	83,0
I would recommend the microfinance company to anyone	1,0	3,0	0,0	7,0	89,0
I encourage friends and relatives to access the services of the microfinance company	1,0	3,0	0,0	8,0	88,0

Sursa: adapted after: DENISA HENEGAR (2024)

An important role in the provision of quality services is played by the staff, more specifically how they manage to respond to customer requirements, provide the service in such a way as to satisfy their needs, respectively how they resolve customer complaints. Thus, an analysis was also carried out on the customers' perception of the way of interaction with the employees of the microfinance company.

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The results are auspicious because clients are more than satisfied with the attitude, promptness and professionalism of the employees, which leads clients to trust the microfinance company (4.76), feeling safe when they have completed transactions with employees of the microfinance firm and trusting them (4.89) (Fig. 2). This is the result of their positive and proactive attitude in finding the best solutions for clients, reflected by their willingness to respond to all client requests (4.86) and paying attention to the specific needs of each (4.92). Adapting services to customer needs, as well as finding optimal solutions for each particular situation, ultimately leads to an increase in the degree of satisfaction on the one hand, respectively to an increase in the company's competitive advantage, on the other.



Averages regarding the perception of microfinance services Fig. 2

Further, an analysis of the impact of the war in Ukraine on the current activity, as well as on the standard of living, was carried out. The analysis of the impact of the war on the economic situation of the companies, at the level of the entire sample, revealed that the companies were more affected by the increase in the price of fuel (4.34 ± 1.221) and the price of electricity (4.34 ± 1.221), around of 70% declared that they were largely affected by these consequences and by the increase in the price of raw materials (60.9%). Respondents were moderately affected by the decrease in income (3.23 ± 1.554), and less affected by the

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increase in the interest rate (2.76 ± 1.642), and the decrease in savings (2.99 ± 1.684).

Table 2.

Item	<i>Evaluation of war's impact</i>				
	1	2	3	4	5
	%				
Decrease in income	23,6	10,9	13,6	22,7	29,1
Fuel price increase	8,2	2,7	5,5	14,5	69,1
Electricity price increase	7,3	4,5	5,5	12,7	70,0
Increase in raw material expenses	8,2	7,3	9,1	14,5	60,9
Increase in bank interest rates	37,3	10,9	15,5	10,9	25,5
Savings reduction	34,5	8,2	10,0	18,2	29,1
Reducing spending on education	47,3	7,3	14,5	10,9	20,0
Liquidity reduction	41,8	10,0	13,6	13,6	20,9

Note: 1 means to little extend, 5 means to a large extend

Source: adapted after DENISA HENEGAR (2024)

The study reveals that small firms in agriculture, animal husbandry and the service sector in Romania have been significantly affected by the increase in fuel and electricity prices due to the conflict-Ukraine, with the limited liability company being the most affected by the increase in interest rates and the reduction in savings. Regardless of the activity sector, companies were more affected by the increase in fuel prices, with the service sector being the most affected. Most companies are looking for solutions to reduce energy costs.

Conclusions

The staff employed in the microfinance institution is qualified, with a prompt reaction to requests, showing professionalism, which leads to an increase in the degree of trust in the company. Customers declared themselves satisfied with the professional behavior of employees, a very important element regarding the success of an organization. Adapting services to customer needs and finding optimal solutions leads

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to an increase in the degree of satisfaction and competitive advantage of the company.

The results also show that the beneficiaries are satisfied with the terms of granting loans and the maximum amount that can be borrowed, which means that the microfinance company has adapted its services to expectations, meeting and satisfying their needs.

Regarding loan processes and component collateral, it is observed that customers are generally satisfied with some intangible aspects of the service, such as the loan application process and the availability of the desired collateral. Education plays a significant role in the perception of service quality. The results answered that 8 classes gave a maximum score of 5 for the promptness of services. In contrast, those who graduated from the school gave a maximum score for the confidence inspired by the employees of the microfinance firm, for their kindness and respect towards clients, and for their ability to respond to the specific needs of each client.

Following the studies, he concluded that accessing the credit helped the beneficiaries in the sense of developing the quality of life, most of them mentioned have a positive impact, claiming that accessing the credit of the microfinance institution helped them to develop their business.

Regarding the intention to access credit in the future, it is quite low, mainly due to the fact that the purchasing power of the beneficiary has decreased, which is why actions aimed at reducing energy and labor costs are considered . .

Recommendations

The current study revealed important information about microfinance services in Romania, the level of customer satisfaction of microfinance institutions and the perception of their quality dimensions. The study of the relief of the elements that highlight the trust in services and that can be found in order to preserve and increase the quality of microfinance services.

Since the study was limited to the analysis of the perception of the beneficiaries of a microfinance institution, at the level of Alba, Bistrița-Năsăud, Mureș and Suceava counties, you must consider the expansion of the research area.

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At the same time, the present situation at a given moment, being necessary other future research, under similar conditions, to observe the trend of the phenomena. A study on the beneficiaries of the microfinance institution after the end of the contractual period is also necessary.

Also, by continuing the studies on other microfinance institutions, in order to compare them, valuable results would be outlined on the quality and perception of microfinance services.