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Possible Ways and Means for an Enhanced Partnership between the Finance Resources Owners and their Local Beneficiaries in Romania

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Abstract: *In this work, we present some reasons why the financial institutions and the entities active in the Romanian economy have to strengthen their institutional partnership, for the benefit of the entire community. We also analyze the economic factors that interfere into this partnership, and also the possible ways and means of optimization. The study and, particularly the proposed solutions may represent a viable option for an efficient management of the development process of the local communities in Romania. We bring scientific and practical arguments that there is a big need for this partnership, as currently, we are experiencing a big lack of mutual trust that is perceived as a gap in the cooperation between the owners of financial resources, on one hand, and the entrepreneurs and the public authorities, on the other hand. Looking from a European perspective and also from the historical evolution, in Romanian's case, local economic development is a challenge that must be achieved by valuing any available resource at its best. Local resources are not always enough for financing the development needs of the communities. For progressing, they must be completed with borrowed sources. The banking loan, although it includes collateral costs and risks, represents a resource that must be used accordingly, for not losing the development opportunities. The capital insertion on the local market by banking loan generates an economic increase, social development, and can offer new working places to the local community members. Good knowledge of the lending needs, of the advantages, of the costs but also of the associated risks of the lending activity is essential for fully benefiting of such a resource in the local and regional economic and social development process, for the benefit of all the involved parties.*

Keywords: *local community, economic development, local financial resources, banking loan, insurance against non-reimbursement risk, Romania.*

Introduction

In Romania, the financing resources available for local development have both advantages and certain limitations. While the European funds are limited from the value's point of view and also from the destination's they are granted for, the direct foreign investments are sensitive to economic crisis, political instability, CDS value, to the lack of predictability of the business environment. Under the crisis's effect, the bond market reflects the investors' lack of trust in the public sector, especially on a long term. In the public-private partnership, as a result of the diversity of the economic interests, delays in making decisions can occur and also an excessive bureaucracy, facts that limit the investors' appetite.

All these aspects entitle us to affirm that, for local economic development, the banking loan plays an important role, even if it is considered as a more expensive resource. This financing resource is available both for the local public authorities and for the entrepreneurs and population, each of them bringing a contribution by the own welfare to the overall local development. The current realities existing at the local communities' level are found in multiple scientific approaches, within the specialized economic literature regarding the local development. Relevant papers from this perspective are published by well-known authors, among whom we mention: Lucica Matei and Stoica Anghelescu (*Local Development. Concepts and mechanisms,* 2009), Aurel Iancu (*The Economic Development of Romania. The Competitiveness and Integration in the European Union*, 2003), Valeriu Iuhas (*Regional Economic Development – Economic and Social Implications*, 2004), Roxana Moșteanu (*Financing the Regional Development*, 2003), Altar Moisa (*Models for Establishing the Economic Increase Strategies for Adhering to the European Union*, 2002).

Various authors starting from some aspects of the social field, which were projected in the local economic context, have evidenced the complexity of the processes and phenomena that are specific to the local development. Among the relatively recent scientific researches in the field of regional and local development, papers belonging to some authors that approached specific subjects drew our attention. Mihaela Roberta Stanef, in the paper *The Increase of the Participation Rate of the Labour Force and the Structural Unemployment Reduction in Urban and Rural Areas in Europe. Case Study – Romania* (2012), evidences the necessity of qualifying the labor force, as a factor of increasing the quality of life. Doru-Cristian Coretchi, in the paper *The Role of the Public-Private Partnership at the European Union's Level and the Challenges in the Romanian Market in the Context of the International Economic Crisis* (2011), states that the public-private partnership is an instrument that was validated in infrastructure projects, but also an interesting factor for the structural development of the infrastructure and public services on a long term, combining the advantages the private sector has with the ones of the public sector. The papers of the mentioned authors and especially the conclusions they reached to, are as many solid arguments for the fact that the lack of financial resources for the regional and local development can hold the local communities' development, progress and welfare, in place. The only opportunity for progressing remains an active and efficient management of the existing (insufficient) resources and identifying attracted and borrowed sources.

The conclusion that derives is that, in this moment, the partnership between local communities and banks is a benefic one, the former as loans requesters and users, and the later as suppliers of financing sources. The action and the proactive solutions are always welcome rather than the inaction and appealing to motives and difficulties that might keep you from doing something.

In the current paper we aim to analyze the actual context and propose viable solutions for accommodating the strong need for financing of the local communities with the need of the banks to restart lending on healthy bases and by orienting the financial flows in correct directions, namely where the real economy needs them: investments and sustainable development.

The need for lending in local economy

Economic development in Romania varies from a region to another, from a county to another and even from a village to another. This aspect is also present in other countries, the difference being that, in Romania, the discrepancies between the advanced or medium levels of development and the ones left behind are very big. For the later, the existence of financing resources remains vital, being the oxygen source that allows them to survive. Except the allocations from the budget, the public authorities have alternatives to finance the investments of public interest and also the activities that may have as a result economic and social development of the local community, from sources such as: local incomes, structural funds and of cohesion, instruments of public debt, direct foreign investments, etc.

In this context, *the working hypothesis* we started the research from is represented by the limited character and the pre-set destination of resources, other than loans. The offer of commercial banks, the banking loan and the letters of guarantee are financing alternatives for investments or for certain activities, both for local public authorities and for entrepreneurs and individuals in any local community in Romania. They are, in fact, limited only by the capacity of reimbursing loans, as proven by the forecasted cash-flow and by the collaterals the borrowers can offer.

The National Bank of Romania, through the interest rate, manages the expansion of credit and of the scriptural currency. This is why we state that the interest rate is a fundamental instrument for monetary policy. The interest is used, with certain limitations, for influencing the inflation and the deflation, for gathering the temporary available savings and for determining the level of investments.

Looking also from an economic perspective, the level of the applied *interest rate* is one of the decisive factors that influence investments. When the interest rate increases, consumption and investments that have loans as financing source decrease. Also the investments (fixed assets of long use goods) as a result of the credit cost increase. In these conditions, for observing if the authorities create favorable conditions for encouraging the lending activity, we analyzed the evolution of two of the relevant macroeconomic indicators. The analysis of the situation of the main macroeconomic indicators monitored in the lending activity, respectively the reference interest rate and the inflation rate, reflects their good management as led by Central Bank, even in crisis conditions. The situation of these indicators, on the analyzed interval, 2008-2013, is as follows:

Table 1. The level of the reference interest rate and of the inflation rate between 2008 – 2013 (% per year)

Year / Indicator	2008	2009	2010	2011	2012	2013
The Reference interest rate (% per year)	10.25	8.00	6.25	6.00	5.25	4.00
The average inflation rate	6.30	4.74	7.96	3.14	4.95	1.55

Source: NBR – Monthly Report (December 2008-2013). The data reflect the situation by at the end of the period.

Within the period 2008 - 2013, the reference interest rate followed a different evolution compared to the average inflation rate. In this time interval, the maximum level (10,25% p.a.) of the reference interest rate was reached in 2008 - the year when the financial crisis started, after that, following a descendent trend year by year, reaching to 4,00%, in 2013. It is more than obvious that Central Bank - as the financial-monetary authority - decided, by its implemented policies, to give a clear sign to the market, of cheapening the loans and orienting them towards the real economy. More sensitive to the consequences and the effects of the economic crisis, the inflation rate - although all along the analyzed time interval had a general descending trend: from 6,30%, in 2008 to 1,55% in 2013 – registered in 2010 a maximum level of 7,96% and also registered an increase in 2012 of 4,95% compared to the previous year. In its graphic representation, the evolution of the two indicators shows as follows:

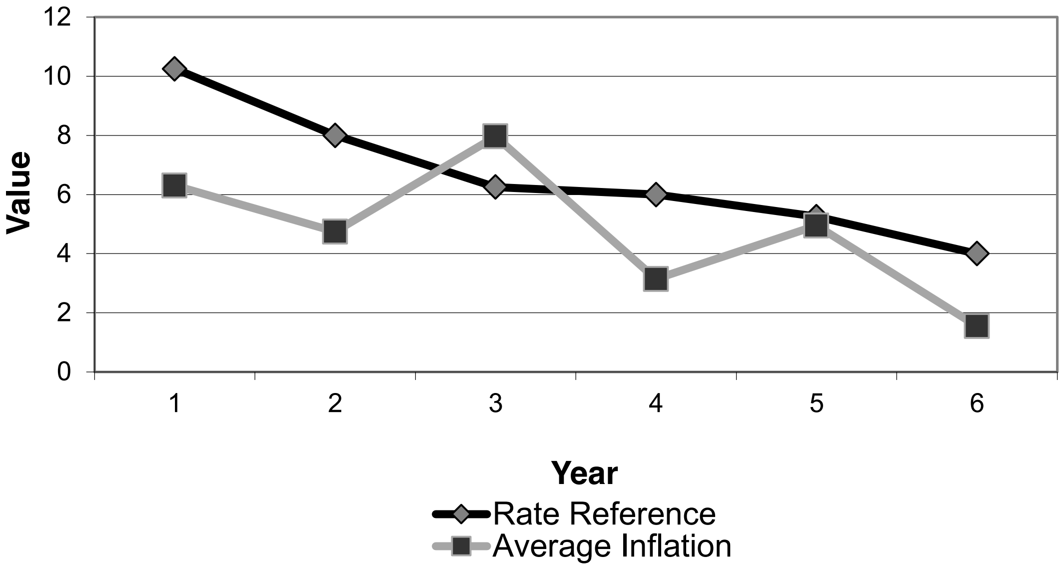

Figure 1. The Average Inflation Rate and the Reference Interest Rate between 2008-2013
Source: NBR – Monthly Report (December 2008-2013). The data reflect the situation by at the end of the period.

The curves of both indicators have a descendent trend, but for the reference interest rate we can observe a better control and the lack of peaks, as registered in 2010 and 2012 for the inflation rate.

Despite all this descending trend of the two macroeconomic indicators, we consider that, the level to which the engines of the economy can start and the investments get the appropriate importance has not been reached yet. The level of the banking interests is still too high. Our opinion is also sustained by a recent measure taken by European Central Bank (ECB), that, in June 2014, reduced the monetary policy interest, namely the interest for the refinancing operations, from 0,25% valid for November last year, to 0,15%. They also reduced the interest for deposits from 0% to -0,1%, for the first time passing to the negative side. Banks must understand this signal given by ECB as the termination of the speculative operations and financial placements and as an immediate orientation towards lending the SMEs and making investments in infrastructure, regional development and real economy. ECB will grant banks an amount of 400 billion Euros, for a price with only 10 b.p. higher than the refinancing interest, that is now 0,15%. Just that, this time, banks will not be allowed to use the ECB funds for buying governmental bonds but only for financing SMEs and investments in the local economy.

From the performed analysis upon the clear signals from the European Banking Authority, we state that also national authorities in charge have placed efforts and created favorable conditions for reviving the lending activity. Yet, this signal must continue, namely for cheapening the loans that had to suffer all along the analyzed time interval (2008-2013) and does not offer real signs of recovery further on. This is why we consider that creating partnership bridges between the ones in need of financing sources and the ones that need to find safe and healthy placements destinations is very important for re-launching lending. In the following pages, we will come back with scientific arguments for proving that banks need as much to re-launch the lending activity and to find viable and serious clients, with a good reimbursement capacity, as local communities need the banks' money. As in any partnership, for completing the business, it is necessary to apply the win-win principle, for finding a middle way on which, further on, each of the two involved parties to be able to go on. The loans requesters, regardless how much they need the resources, cannot and must not accept just any price/interest conditions, as such an approach will come back to them as a boomerang, when not being able to pay their debts and interests.

Consequently, we explain the need to find an equilibrium level in what the lending cost concerns - expressed mainly as the interest rate level – to be supported by the debtor and thus to allow the lender to go forwards. In what the average active interests applied by the commercial banks in Romania concerns, the situation is presented in the Table no. 2.

Table 2. The average active rate applied by the banks in Romania between 2008 -2013 (% per year)

Year		2008	2009	2010	2011	2012	2013
Interest (%)	RON	18,01	16,10	11,14	10,84	10,40	7,79
	EUR	7,73	6,13	5,75	5,84	4,84	4,78
Average Rate	RON/EUR	3,68	4,24	4,21	4,24	4,46	4,42
Interest in Foreign Currency (%)	Equiv. RON	4,89	3,8	2,65	2,56	2,33	1,76
Interest Report (%)	RON/EUR	2,33	2,63	1,94	1,86	2,15	1,63

Source: NBR – Data Series (2008-2013). Data processed by the authors.

For the time interval 2008-2013, both for the granted loans in RON and for the foreign currency ones, the average interest rate applied by commercial banks had an obvious descending trend, respectively, for RON, from 18,01% p.a. in 2008 to 7,79% p.a. in 2013, while for Euro, from 7,73% p.a. in 2008 to 4,78% p.a. in 2013. In Romania, the average level of the applied interest rate for the loans in RON is, for the analyzed time interval, on average, approximately twice higher than the level applied to the EURO loans, considering the fact that, the average exchange rate RON/EUR registered a constant increase, from 3,68 RON/EUR in 2008 to 4,42 RON/EUR, in 2013.

The difference between the applied interest rate, for the loans in RON towards the level applied for the loans in EUR, explains the Romanians' tendency to contract loans in EUR, not taking into account, in general, the exchange rate risk and that the borrowers' incomes are not obtained in EUR. We reached to a negative conclusion: due to the yet too high level of the banking interest rates applied by commercial banks, and having in view the still low background in the respect of financial-banking culture some of the banks' clients have, they do not protect themselves against the negative effects of the interest rate risk and of the foreign currency risk, that eventually turn into non-reimbursement risk. Due to the two identified main causes (high interest levels and the still reduced level of finance-banking culture), part of the bank's clients takes these risks ignoring the negative financial effects they are exposing themselves to.

The identified risks are dangerous and we aim, through this paper, to transmit a warning signal and also to offer solutions for mitigating these risks. For example, one of the solutions for diminishing these risks might be assuring these risks with an assurance-reassurance company, that to undertake part of the negative financial effects if these risks produce effects.

The banking loan, a resource attracted at local level

The necessities of economic and social development are big, compared to the budgetary resources for social support that are limited, while the education degree of many of the interested is reduced, fact that dramatically limits their access to the structural EU funds. In this context, the banking loan represents an alternative that must be carefully considered, although in the beginning it may seem an expensive resource.

The banking loan is a financing resource that must be considered in any local development program, both economic and social. The advantages offered by such a resource place it among the local financing resources, with its pluses and minuses that the authors of the current work aim to evidence. For local public authorities, banking loan represents a resource attracted in favorable conditions, by tender, in which the best offer for the requester is accepted. On the other hand, by banking loan, local public authority is the decider in sharing the attracted resource on investment objectives.

The banking loan, the attracted resource for the local economic development, is independent towards the investors' behavior at a certain moment and also benefits from a flexible contracting term, flexible and even revisable all along the lending period, according to the borrower's debt service quality. Another advantage of this resource is the wide opening to all the local actors, respectively, public authorities, economic agents, individuals, etc.

By overlapping two concepts, respectively, "local economic development" and "banking loan", the immediate trend is to associate the banking loan with the available resources for the local public authorities involved in the local development process. In fact, the banking loan directed towards the productive area of the local community represents the main "engine" of the local economy, with a major social impact (Velicu, 2012, p.19). The effects upon the local economic development generated by the capital infusion from the banking loan evidences the need for such a financing. By the loans granted to the local public authorities by the commercial banks, these contribute to the local economic development, financing general local and social interest investments.

Looking from the local public authorities' perspective, the attracted resources from banking loans have a series of advantages, such as:
-represent resources attracted in favorable conditions;
-the resources are independent from the investors' behavior at a certain moment;
-the term and the contracting conditions are flexible and negotiable;
-attributing these resources on investment objectives is up to the contracting authority (the Town hall), with respecting the law in force;

We insist upon the advantage that, the banking loans, in the local public authorities' activity and not only, represent attracted resources with negotiable components (in terms of cost, time, the structure between the loan and the interest, the type of collaterals, etc.) This offers them certain pluses towards other financing sources that are more rigid.

In a time when financing is a challenge for entrepreneurial success, companies with production and service delivery activities can finance their current activities and investment projects by micro-loans, with a subsidized interest for investments, granted by EXIMBANK, the bank of import and export in Romania. Usually, microloans cover maximum 80% of the investment projects, are granted for a period of 5 years (medium term), and are guaranteed by a shareholder, associated person or administrator, by a guaranteed promissory note in the bank's favor, fact that makes them very accessible for the small entrepreneurs, due to their characteristics:
- The loan for development for SMEs – the value of the loan is up to 1,5 million EUR in RON equivalent, and can be granted for a period of 10 years;

- The loan for working capital – destined for finacing the current activity, may be up to 300.000 EUR, the lending period being of maximum 12 months;
- The mico-loan for SMEs – destined to financing the investment projects and/or the current activity, the value being between 10.000 and 35.000 EUR;
- The flexible loan for investments, for the SMEs – destined for financing the investment projects, the maximum value being of up to 1 million EUR;
- The loan for women-entrepreneurs - destined to the SMEs in which women are the majority shareholder or they are administrators and a minority share-holder in the same time; it can be used for investments or for financing the current activity, the maximum amount that can be granted being of 100.000 EUR.

We observe there exist necessities and demand for private financing resources, as the budgets are limited. We also identified several categories of loans that exist in the banks' offer and that are particularly targeting the areas where the demand comes from: financing the SMEs and the public investments of a local interest. We only have to analyze the reasons for which the lending activity does not succeed in being restarted and to offer solutions for meeting the demand and the offer.

Measuring the benefits brought by lending

By attracting banking loans, financing beneficiaries can develop their activities and, implicitly, can contribute to the increase of the employment degree. The development of the economic agents' activity generates working places –better paid – so that, the employed individuals can increase their degree of satisfying personal needs. This way, the production or services are encouraged, also the needs for intellectual and, implicitly, professional development (payments for studies, for some qualification and specialization courses) or the personal investments (purchasing or renovating houses, cars acquisitions or some other long usage goods).

Starting from this conclusion, the authors demonstrate that the income input brought by the capital insertion coming from a lending institution into the economic activity of a community, can be analyzed and measured at a local level, by the functional relation of the consumption - as a dependent variable towards the local budget income - as an independent variable (Velicu, 2012, p.256).

As a methodology of research, we started our analysis from the functional relation:

$$C = 800+0,8 \times LI,$$

where:
C represents the consumption, and
LI represents the income to the local budget brought by the collected tax per profit.

As other researchers in the field also argue (Popescu, 2008, p.17), according to a mathematical relation as the one presented above, if the income increases with one monetary unit, the consumption will increase with 0,8 monetary units.

In an algebraically expression, $C = 800 + 0,8 \times LI$, represents the equation of the functional relation of the consumption - as a dependent variable, towards the income to the local budget - as an independent variable.

$$\Delta C = C_2 - C_1 \text{ or } \Delta C = 0,8\ (LI_2 - LI_1)$$

By applying this mathematic formula we obtain results that entitle us to affirm that the variation of the consumption (ΔC) is of c' times equal with the variation of the income (ΔLI), respectively:

$\Delta C = \Delta c' \times \Delta LI$

The report between the variation of the dependant variable of consumption (ΔC) and the variation of the independent variable of the income (ΔLI) is equal with c'.

In the analyzed example, considering the source for LI to the local budget, we can state as follows: *The capital insertion in the local economic activity, by banking loan, contributes the more to financing social activities, the lower the interest rate applied by the lending institution is. The higher the capital insertion is, the more the local consumption (*ΔC*) may increase, and based on this, the local income will increase (*ΔLI), from the taxes collected in relation with the salary income paid by the lent SMEs, with the additional profits achieved, with the purchased real estates properties, etc.

If until this point, we analyzed which are the benefits for those who borrow, in the following part, we will analyze the reasons the banks are interested to restart lending. In what *the lending institution* concerns, we will analyze the economic profitableness of the placement into the granted loan, by using the calculation formula for assets profitableness (ROA – Return On Assets), according to the well-known formula (Treapăt, 2011, p.101), as follows:

ROA = (NET PROFIT /TOTAL ASSETS) x 100

This indicator evidences best the capacity of the financial resources of the lending institution to generate profit.

Simplifying the example, in a working hypothesis, we consider the total assets as equal with the value of the placement made in a loan (RON 1,000,000.00 in equivalent currency), and, for the net annual profit we consider exclusively the value of the cashed-in interest and the tax per profit (16%) related to this income. In this context, by performing the respective calculations, in a systemized manner the results are presented as follows:

Table 3. The calculation of the economic profitableness (ROA) of a placement into a loan

Credit Value	Interest Level	Total value of the cashed-in interest (RON)	Tax on income (16%) (RON)	Total net profit (RON)	ROA (%)	Currency rate (RON/EUR)
1000000 RON	10,08	306600	49056	257544	25,75	4,4
227273 EUR	5,46	166074	26572	139502	13,95	
227273 EUR	3,00	91252	14600	76652	7,67	

For any of these lending options presented above, the ROA indicator calculated for the made placement is higher than 1, fact that evidences the capacity of the lending institution to generate profit by placing RON 1,000,000.00 in equivalent currency, even in price conditions considered to be favorable for economic agents (Velicu, 2012, pp.257-258). Moreover, the calculations demonstrate that, even if the bank reduces the interest rate with 45%, namely from 5,46% to 3% per year, the profitability reserves would still exist for the banks. For an interest rate of 5,46% per year for EUR, there resulted a ROA indicator of over 13,95%, that, in our opinion is exaggerate. For a reasonable interest rate, of 3% per year for EUR, there resulted an indicator with a very good level of 7,67%. The working hypothesis, subject to analysis and afterwards demonstrated by the authors by calculations in the Table 3, indicate the capacity of both partners (the lender and the debtor) to make a profitable transaction for each of them, a guarantee for success in business.

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The collateral – burden or risk mitigation factor?

The collaterals that have to be constituted in the lending institution's favor, at lending, represent an aspect that must not be neglected in the lending activity. From the perspective of the banking loan applicants, the collaterals are very sensitive points, especially for the economic agents in the start-up category. On one hand, developing a prosperous business - in absence of capital of own contribution and collaterals - is not possible. On the other hand, attracting, by banking loan, some useful resources for developing the business requires the existence of some collaterals. Particularly, when starting the business, few are the entrepreneurs that have the necessary collaterals for obtaining financing from the lending institutions. This is why, there must be identified a sustainable equilibrium between the capital provided by the borrower, the material collaterals and the capital offered as a loan by the creditor.

The authors of the present work made a research upon the entire banking market in Romania, for providing comprehensive information about the complete range of guarantees accepted by banks for the offered loans. From prudency reasons, commercial banks request to their clients, according to the concrete situation of every loan requester, to bring one or more collaterals, as a mix of guarantees. We analyzed, for several banks in Romania, which are the most frequent types of collaterals they use in the relation with their clients and, in the following part, we will present most commonly used ones, respectively: guarantees from the Romanian Government, the banking deposit (collateral cash), the assurance for financial risk, pledge, cession of receivables, mortgage, etc.

It is also usual that, for the clients that have difficulties in paying their debts, thus presenting a significant risk in what the loans reimbursements and paying the corresponding interests concerns, the bank to request the debtors to sign a promissory note, which, according to the Law no. 83/1994, represents an enforceable title and, after invested the with the enforceable formula by the Court can be forcedly executed, without any other previous formalities.

Some authors (Treapăt, 2013, pp. 65-69) brought the necessary arguments for showing that, for being accepted by the bank, the collaterals must fulfill the following cumulative conditions:
- to have the markets or the potential buyers for the goods proposed as collaterals;
- to be easily turned into cash;
- to be materialized as a title or an authentic document, etc.;
- the goods to be in the civil circuit, to be the property of the requester or the endorser and not to be affected by any receivables, other than the lending bank's;
- the owner of the goods to have the capacity of bringing them as a guarantee;
- the goods purchased and put into function prior to requesting the loan, to be in an appropriate condition for functioning in the exploitation process;
- the purchased and not yet put into function goods and also the goods the follows to be purchased and partially paid through a granted loan, to be new and have certificated of quality and warrantee.

In the banks where we analyzed this issue, we acknowledged that not fulfilling these criteria or not identifying further collaterals, leads to the impossibility of granting the requested loan. We underline that the loan requests cannot be approved based only on the fact that the goods offered as collaterals by the requesters' could be easily transformed into cash. If, from the financial analysis and of the business plan results that, the loan reimbursement and of the corresponding interest is not sure to come mostly from the liquidities generated by the developed economic activity - this being the main source for reimbursement while the collateral a secondary one, of protection for the lender against unpredictable situations - the loans are not eventually granted.

Considering the different liquidity of various collaterals and the real possibilities debtors have to issue these collaterals, our opinion is that the most recommendable solution is to use a mix of collaterals, namely, to request the debtors to issue collaterals in various forms and in different shares (e.g. 25% collateral cash, 50% cession of receivables, 25% mortgage, etc.). Banks can accept as collaterals for the granted loans also letters of guarantee issued by other banks and the insurance policies for the loans (the financial risk insurances) issued by the assurance-reassurance companies agreed by the lending bank.

For preventing the discontinuities in the cash flow or for financing some investments by banking loans, (frequently met situations for many of our enterprises), the entrepreneurs may appeal (instead of some material collaterals or in their extent) to guarantee products offered by the National Loan Guarantee Fund for Small and Medium Enterprises ("The Fund"). This may contribute to the businesses development, guaranteeing the loans granted by lending institutions, up to a limit of 80% from their value.

The purpose of this research for identifying the most appropriate list or scheme of guarantees is to offer the convenient options of collaterals, both to the debtors and for the bank, aiming to accept only sure and safe collaterals.

Assuring the lending risk, a financial stability factor both for the creditor and for the debtor

The actual banking reality shows us that granting loans that afterwards may become non performing represents the main disturbing factor in banks' activity. For reducing the loses from the non performing loans but also for protecting the clients' deposits, the persons that are involved in the lending activity of a bank must action responsibly when evaluating the risks involved by granting loans and make all the necessary efforts for cashing-in, at tenor and in an efficient manner, the receivables from the debtors, fact that, in the last few years became more and more difficult. In this context, the assurance against the non-reimbursement risk for the granted loans, protects the banks towards the risk of not cashing-in the due amounts from the bank's debtors, this way preserving the bank's cash flow, its liquidity and profitability. But, in the same time, this measure for reducing the credit risk also protects the debtor in trouble, as this will not be forcefully executed and will not find himself in the situation of remaining without patrimonial elements, so necessary for developing the activity.

This way, the assurance against the non-reimbursement risks actions as a factor of financial stability. In this case, the loan assurance actions as a particular assurance, whose scope is different towards the other types of assurances, for which the beneficiary of the assurance is also the contractor. This is signed either by assurance companies, or specialized banks that promote such products. This assurance implies, for the lending bank, the protection against two major types of risks: the financial risk - related to solvability, liquidity and the requester's good will and the life risk - related to the possibility that, in the requester's life, a major event to occur such as death or permanent invalidity, putting him in the impossibility to generate further incomes necessary for paying the loan back. In what the financial risk concerns, the banks own instruments and policies for appreciating and monitoring, verified by a long previous experience, but, in what the life risk concerns, the actuarial experience of the assurers is considerably superior. This is the reason why the banking international practice in the lending field requires the loan requester to sign a life insurance policy transferred in the lending bank's favor, thus offering the guarantee of paying the borrowed amounts back and also of the corresponding interests, even in the situation in which the debtor finds himself in an objective impossibility to obtain the necessary incomes.

The life insurances assigned to the loans portfolios are much more advantageous if offered in a bank assurance partnership (Brophy, 2013). On one hand, the lending institutions obtain incomes from selling insurance products commissions, but also achieve a significant cost reduction related to the loan administration and also the possibility to immediately and easily recover the loan assured this way, without following the specific steps of hard collections. On the other hand, the

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assurance companies have a relatively controlled market for selling their products. This partnership arrangement can be profitable for all the involved parties. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers. For the clients, the advantages the life insurance has are both of an economic nature and also subjective. These have the possibility to obtain, at reduced costs and with minimal personal efforts, the guarantee that, if the assured event occurs, the assurer will pay the balance of the contracted credit to the lending company. This way, the goods object to the collateral for the contracted loan remain unexecuted. For all the involved parties of a loan - the lending institution, the debtor, the warrants, the assurance company - the preferable solution is the one offered by the most of the banks, namely including the life assurance policies and assurance policies for the collateral goods into the lending. The latter must be assured with an assurance company all along the credit duration, and the rights from damages must be transferred to the bank.

The assurance products of this nature address equally, both to the individual clients and to the economic agents (Văcărel & Bercea 2007, pp.284-286), local public authorities and are advantageous for all parties involved in a loan, as we presented before. Starting from the common interest of the involved parties, respectively, the lending institution, the assurance company, these are interested in the common success of the business, not in transferring the risks from the creditor to the assurance company, as usually, the lending institution owns parts of the assurance company's capitals. On the other hand, the good willed client, the loan beneficiary is interested in obtaining the financing source for his own necessity (personal need or business development) but does not own goods that can be brought as collaterals, or for the local administrations' case, they cannot put a mortgage upon these, due to the legal regulations in force.

The assured risks must be controllable. This way, the insurer requests and the lending institution obliges itself to perform financial analysis and of reliability, for the loans requesters, at high standards. The simple accept to pay the cost of such a financial non-payment risk insurance, does not qualify the requesters for obtaining the loan if the economic and financial analysis performed by the lending institution does not conclude with the accepted values for the targeted financial indicators (Treapăt, 2011, pp.252-256).

Conclusions and solutions for optimizing the partnership based on loan

We appreciate that banks should be interested in developing the community they are part of and, because of that, they should keep a balance between their own objective concerning the risk dispersion and the general interest, that aims the development of the area and of the region they are part of. They must prevalently sustain some branches considered to be strategic or potentially competitive on the external and internal markets and must avoid concentrating the credit risk in sectors of activity that do not have development perspectives or that accumulate loses and unpaid debts in queue. (Treapăt, 2011, p.29). The actions of Corporate Social Responsibility - CSR (Wood, 1991) of those banks that have such an approach, represent a major benefit that we identify in the current paper as a result of the cooperation between the two business partners, the bank as a lender and the local authorities, as credit beneficiaries.

The investments made in the local production objectives or in the services area must be significantly stimulated, so that their weights in economy become obvious. Such accomplishments can be supported by optimizing measures, such as:

- increasing entrepreneurial culture by programs of specialized studies, with strong applicability;

- increasing banking culture among individual producers so that the involvement of the loan and lending institutions in their activity stop representing a "force majeure" only, but a current practice;
- developing specialty consultancy activities in the field of investments, sustained by governmental programs, for stimulating investments among individual producers;
- improving the lending activity within banks, by creating new lending products, with some flexible components in what the costs concerns;
- reducing credit cost, or paying the lending costs with an active involvement from the lending institutions' side, by granting some convenient and encouraging grace periods to the debtors and by offering them some instruments for assuring and guaranteeing, of the types previously presented in the current work;
-increasing the efficiency of the lending activity, by involving the lending institutions in the development of their clients' businesses;
-cooperating with representatives of the lending institutions with the local decision factors for identifying the investments areas that have to be stimulated accordingly or for assuring a good correlation and prioritization for the investment loans with the local priorities (investments in areas that create working places so that, after the investment is done, the occupied population also to access loans or other banking operations);
- banks have to give up on the immediate temptation to primarily look at the cost of the credit that is still high in Romania.

The banks' priority must become, in our opinion, the quality of their loan portfolio, knowing that the profit cannot occur from non performing loans and restarting the lending activity cannot be done with high interest rates and also with big amounts of bad loans.

The banks' problems usually reflect the economy's health. The weight of the non performing loans in the total loans has permanently increased in Romania, starting with the crisis debut and reaching, in the moment of writing the current paper, an alarming level of approximately 20%. We cannot remain calm just thinking that this NPL (non performing loans) indicator reached a level of 32% in Greece and of almost 28% in Ireland. A reason for which we wrote the current work is, among the rest, because the bankers in Romania have constantly complained during the crisis times, about the lack of demand for loans. In the same time, they avoided to take too big risks in the economy, after the lending exuberance in the economic boom period was over and presented a big amount of non performing loans and risk provisions that push on the incomes and profitability. The non performing loans reached, by the end of the second Semester of 2014, little over 22% from the total banking loans portfolio. The bankers are now expecting a new NBR Regulation to be applied, so that to allow them to take the non performing loans, that were fully provisioned and amounting 6 billion RON, namely 1,3 billion EUR equivalent, out the balance-sheet. Due to this measure, the non-performance rate would decrease with approximately 17%, and the bankers say that, the improvement of this indicator will allow them to accelerate the lending activity. But, besides the officially recognized and already provisioned NPLs, the specialized companies in purchasing receivables are already prepared to buy other doubtful loans, not refunded for over 1 year already, but without reserves and provisions constituted by banks. These are appreciated at almost 3 billion EUR. The authors of the present paper consider that the clean-up process inside the banks' balance-sheets must be rapidly and realistically performed, even if for certain big banks this would mean reducing the balance-sheets dimensions, and for the small ones, the risk of closing their branches in Romania. The number of existing banks in Romania seems to be presently too big for the economic potential of our country, 40 banks meaning a double branches density for 1000 inhabitants compared to the Czech Republic. We consider that, some of the banks must give up on their activities as universal banks, trying to specialize themselves to become niche banks and to action in a focused manner. In Romania, just 2-3 banks are banks of a niche, the rest of them being active as universal banks, while in countries like Holland, only 3 banks are universal, in France 4 and in Great Britain 5.

A solution of optimizing and stimulate the benefic partnerships based on loans is, in our opinion, the loans securitization. The Romanian banking system misses the loans securitization. In conditions in which the banking loan represents 97% from the financing resources, the difference of 3% (extremely small) being represented by the stock exchange and investment funds, the securitization would have transformed the loans in instruments for transitioning, fact that would determine an increase at the Stock Exchange level. The mortgage loans securitization, of the ones granted to the local administrations and even of the cash-flow on the credit cards, would have given the objective measure of their values, would have provided us with signals from the market related to their prices, to the lending conditions, to their real value on the market. The loans securitization is a financial technique that allows turning the loans into value papers that are then sold on the secondary market at a fair market value, thus refinancing the lending activity of the banks and increasing the liquidity of a long-term portfolio. The securitization of the mortgage loans, by mortgage bonds issuing aims to sell the value papers to various investors, this way the banks obtaining additional funds for granting new loans and, in the same time, trying to achieve a corresponding dispersion of the risks assigned to every category assets.

And, at last, we consider that banks must turn to operations digitalization, virtual branches development and changing the way they interact with their clients. We believe that banks have the moral obligation to be prepared to face the Y generation's requirements, that is an exponent of the digital natives (Dumitrescu, 2013) and the nursery for tomorrow's banking clients, the ones that will technologically dominate the future. Equally, banks also owe something to those who want to enter the branches, to ask a councilor about the problems they are concerned about, and also to those who are not well familiar with the high speed internet, the 4G technology and with using the cloud data storage systems, technologies that push the elder clients off the new trends.

We appreciate that the highest risk we seem to have reached is the fact that the financial and the lending products became so complicated that, most of the people cannot understand them anymore (Treapăt, 2011, p.364). Besides this, there are more and more opinions according to which the change is not only necessary but also mandatory (Bridges, 2004), a change must overlap another one, and from end to end, everything has to be a continuous change. We consider that the mirage of the change just for the sake of profits must not be pushed to hazard, that morality, correct partnership between a bank and its clients and the presence of the equilibrium in all actions and decisions must remain the most important challenge for the transactions with banking loans. And this is why we elaborated this paper.

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