„BABEŞ-BOLYAI" UNIVERSITY
FACULTY OF BUSINESS

PhD THESIS

SUMMARY

EXOGENOUS FUNDING OPPORTUNITIES FOR FIRMS

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Introduction

In a functioning market economy, in order for firms to be as “enduring” as possible, they must demonstrate dynamism, flexibility, innovation, must adapt easily to changes in the economy and must also notice market trends quickly. On the other hand, the activity of each firm is profit-oriented and tries to maximize its value for its investors. Achieving these goals is not easy, firms acting in a highly competitive and dynamic environment.

Operation of a firm depends to a large extent on the financing policy that it promotes. In this respect, the training of its managers in general and financial managers in particular plays a decisive role in the success or failure of the firm. They, along with their teams, must ensure the financial resources necessary to the firm in a timely manner, with the lowest cost, they must invest them at the lowest risk and obtain, by using them, profits that should satisfy all the parties involved in the existence and the funcioning of the respective firm. Hence the need to identify those financing sources to ensure the company's expected profit and the maximization of its value.

Currently, under the global economic crisis conditions, temporarily available capital are increasingly scarce and expensive, and the expected profits are harder to obtain, being accompanied by increasing and more difficult to predict risks.

Holders of capital mobilizable for productive purposes make, with special attention, selections of placement by comparisons between the corporate dividend rate and the bank interest rate or the rate of profits obtained from other investments.

In this economic context, in the firms, managers must be able to provide the necessary capital at the lowest cost, and to organize and coordinate the production and marketing of the produced goods in order to obtain the expected profit by all their stakeholders. As a result, the quality of the management is a vital prerequisite for firms to mark competitive advantages and to withstand in a complex and volatile economic environment.

The functional market economy uses a variety of financial assets, which represent not only an institutional offer made by the financial intermediaries, but also an offer of primary securities issued by non-financial firms and other entities. In such an economy, the financial management of the fim must know the tools and constraints specific to the capital and the money market.

At first glance, the financial managers feel like the functioning market economy multiplies their choices, that it provides financing solutions according to the needs of the firms, at the best cost.

Following an in-depth analysis, we find out that a functioning market economy, on the one hand provides financial managers with multiple options for choosing the optimal financing solution, and, on the other hand, it generates deductions for more complex and risky decisions for financing the firms.

The changes occuring in the Romanian economy impose periodic theoretical and practical reconsideration of the firms' approaches and market behavior.

Whether it is in the process of developing its business, or it is maintaining the production capacity, every firm has to have the resources required for financing its activities.

In a rapidly changing world, a world of confrontations where only firms with a flexible financial and economic system, easily adaptable to the demands of the competitive environment, are able to endure, decisions regarding the financing and managing the business are at the same time a defence tool and form of expressing the performance of the management teams.

Considering all the above mentioned aspects, and the fact that modern firms require an efficient management of financial resources and results, we believe that a scientific and pragmatic research of the opportunities of an exogenous funding of firms constitutes an intellectual challenge for any financial manager, for any professional in general. Moreover, this challenge has been the main motivation for choosing the research topics: "Opportunities of exogenous funding the firms".

The overall objective of our scientific approach is to identify and promote optimal exogenous funding solutions which should ensure, in the current economic and financial context, that the activity of the firms in Romania is more efficient, and thereby achieve sustainable economic development.

By using an appropriate scientific research methodology in a systematic approach, we have considered the following **specific objectives**:

- identifying and highlighting the main influences of the global financial system on the financial management of firms;
- giving arguments for the role of the financial management in funding the activity of the firms from exogenous sources;
- making an inventory and systematizing the theoretical and pragmatic elaborations on the financing structure of the firm and its financing costs from exogenous sources in order to formulate optimal financing solutions;
- identifying the main exogenous sources of financing firms, the ways of accessing them, and highlighting their advantages and disadvantages;

- preparing certain analyzes, studies and examples for each of the presented solutions for exogenously financing firms;
- drawing conclusions and proposals based on the results of the conducted scientific research.

In terms of **the research methodology**, the complexity and diversity of the issues addressed have required the use of methods, techniques, tools and scientific procedures for their investigation and interpretation; we attached great importance to:

- documenting, namely accessing and studying the general and specialized domestic and foreign literature, for grasping the level of the approach of the investigated issues and the scientifically substantiating the research process;
- the rational method, used as an instrument of knowledge, reflection, analysis, organization and scientific progress of the research;
- the integration of forms, methods and logical operations in the conducted research through the use of analysis and synthesis, abstraction and concretization, comparisons, generalization and systematization;
- the statistical method, through the use of descriptive statistics and statistical analysis;
- the observation method, systematically and analytically conducted;
- the discussions with experts from financial and banking societies, and with the beneficiaries of their products and services;
- the data analysis and interpretation, using graphs, charts and figures to highlight various developments in the financial products and services intended for firms.

Using the classical tool of scientific research, based on analysis and synthesis, induction and deduction, general and particular, and adding modern methods, we have achieved substantial and pertinent analyses and studies regarding the major ways to internationally and especially nationally exogenously finance firms.

The personal contributions to the issues investigated are highlighted throughout the thesis, within each chapter, and their theoretical significance and practical value are evident in the conclusions and proposals that we have made and promoted. Moreover, the results of our research have been disseminated both within national and international scientific conferences and through publication in specialized journals, as author or co-author.

The research results are presented using tables, figures and graphs. Theoretical data needed for the research were taken from the reference works and the specialized literature (books, studies, papers, articles etc.) of the investigated field published both in the country and abroad.

The statistical information and the actual details concerning the ways to exogenously finance specific activities of the firms, the place and the role of the SMEs in the national and the international economy, the involvement of BRD-Groupe Societe Generale in exogenously financing firms were taken from reports and statistics of financial and banking or non banking institutions from the country and from abroad, as well as of public and private entities in the field.

The opportunities of exogenous funding **of firms is a research topic of great interest, both internationally and especially nationally, in the current economic environment caused by the global economic crisis.**

In this context, based on our set objectives, we structured our paper into seven chapters, arranged in a logical sequence, starting with the role played by the financial management in exogenous funding up to the investigation of the main exogenous sources of financing firms.

Abstract of Chapter 1- The financial strategy and policy of the firm in the context of globalization. The importance of the funding decision.

In this chapter, after identifying and highlighting the influence of the global financial system on the financial management of the firms, we detailed and argued the role that the strategy, the financial policy and the funding decisions play in achieving a modern financial management of the company. In most countries, the financial system has typical organization forms, more or less specific, but endurable. This reality is suggested by using the concept of financial structure that expresses, in its turn, the main relatively stable characteristics inherent to the blending of the financial system components.

We can identify the following main characteristics of the global financial structure in a particular country, namely:

• the global financial structure is characterized by a range of specific tools, which support financial transactions (settlement, savings, financing and financial hedging); diversifying and expanding the range of financial assets, allocating the assets on different types is a necessity of an efficient financial structure;

• the financial structure is also characterized by the nature and the differentiation of the financial institutions constantly involving in the process of creation, preservation and release of financial assets; the financial structure analysis should not be limited to the study of financial institutions, but should also include the study of markets where the financial assets are traded and of the circuits and channels that provide circulation of financial flows in the national and international economy;

• the global financial structure can be characterized in quantitative terms because of the analysis of the specific relationship between the values recorded by different types of financial assets; it may also be studied by comparing the transaction flows with these types of financial assets, through the indicators that show the weight of different types of institutions and markets and through the sizes expressing the major features of the real economy.

Given these main characteristics, **we assert that the development stage and complexity of the global financial structure decisively influence the action variables of the financial management, the terms of their specific problems and the nature of the given solutions.** Thus, a financial system characterized by a less differentiated structure offers a limited range of solutions and financing resources, the financial management issues being rooted in the field of self-financing and the self-control of payments and cashes of the firms. On the other hand, in a financial system characterized by a wide range of instruments, institutions and markets, the financial management must make use of a complex of financing techniques, placement, investment and risk management.

However, in a well-defined context, not all firms are equally concerned with the various aspects of the global financial structure. Certain specific characteristics determine both their own opportunities to access different action fields of financial management, and to avoid some of them.

The influence exerted by the development of the financial system can be evidenced by analyzing the main types of global financial structure, observable both in the industrialized countries and in the developing ones.

The main conclusion of this brief analysis is that each type of financial environment defines the space covered by the financial management of the firm, prompting its objectives, issues and remedies.

In this context, the financial management is influenced by the firm's internal characteristics related to the nature and size of the activity, to the specific of the production cycle, to the stage of its development.

As a result, the influence of the global financial system on the financial management of the firms is generally dependent on the following main features:

• the more or less advanced development of the monetary transactions;

• the expantion of the range of financial instruments offered to those who save money and to those who borrow in the national economy;

• the diversity and the power of the specialized institutions which assume the role of financial intermediaries;

• the existence and efficiency of capital markets.

For the financial managers, a functional market economy seems, at first glance, to multiply their choices, to allow them to seek for financing solutions according to the needs of the firms at the lowest costs. This expansion of choices is the result of the development of the financial markets and institutions and the financial area favor the multiplication of the financial instruments thus responding to the different needs.

However, the functional market economy exposes the financial managers to new challenges. On the one hand, the phenomena of instability of the financial markets, directly affecting the interest rate, the exchange rate and the value of the financial assets, is the main cause of worsening of the financial risks. On the other hand, the functional market economy exerts a more severe financial constraint on the firms. While increasing the funding opportunities on the capital markets, the firms are subject to continuous pressure of the securities purchasers (mainly stocks and bonds), which contributing to their financing, constantly control the development of their performance and their risks.

Finally, the functional market economy provides the financial management with vast choices of choosing a financing solution, but it makes one reluctant to make more complex and risky decisions. Under these conditions, large firms enjoy the opportunity to combine in their interests, the relationships with the markets and the relationships with the credit institutions. Instead, the SMEs appear less "armed" to access the market and can be sometimes found locked in a mandatory report with the credit institutions.

The financial management acquires, within the current context of our integration in the European Union, a crucial role and should contribute to the formation and development of new mentalities about business and to the increase of competitiveness of the Romanian companies.

Regardless of the size and form of ownership of the firm, the financial management carries most of the responsibility for the financial policy adopted at the micro economy level, which is to be applied in order to achieve the objectives of owners and/or managers of the financial resources. For this reason, the definitions found in the literature identify the financial management with the field dealing with substantiating the financial decisions in the firms.

The financial market is the framework within which firms can get most of the funds necessary for operating and developing, and through which they communicate to those interested, their financial status through annual reports.

Based on this fact, the firm may adopt either an offensive financial strategy (active) or a defensive financial strategy. Thus, adopting an offensive financial strategy aims not only the achievement of the financial transactions, but also the insurance of the development of the firm through absorbing, merging, consolidation and control operations. In this case, the goodwill of the firm becomes a political tool to third parties and to the market, the main condition being to obtain superior financial performances, recognized on the market and with an acceptable margin of risk.

A defensive financial strategy involves building and maintaining relationships with the market, which will allow the company to proceed, when economic conditions require, to issuing bonds or to increasing its own capital. In this case, the market acts as a "generator" of financial resources, and the firm does not try to alter the rules, but only to maintain its financial independence.

However, the role of the financial strategies is to substantiate the firm's financial policy. Integrating the financial policy in the economic strategies of the firm is achieved by the the mechanisms of adapting and applying the financial strategy decisions. The development of the financial strategy requires a thorough knowledge of its financial standing, which includes information to be processed through the correlation of the different types of financial effort and of financial results.

At the firm level, for the purposes of applying its financial strategy, financial policies or practical ways of short term action (tactical) are established within the financial entreprise (Ilieşi, S., 2006).

In the financial policy, financial decisions are essential, being based on the firm's financial structure adopted according to its priority objectives related to:

• profitability, as an expression of the reason to be of the firm;

• economic growth, by developing and enhancing the place that it occupies on the market;

• risk, that is avoiding or mitigating it due to the development, the supply with reserves, provisions and other specific marketing strategies.

In a functioning market economy, maximizing the market value of the firm requires the adoption of certain financing decisions in order to ensure, together with a minimum level of the capital cost, both an appropriate level of self-financing and an optimal capital structure, depending on the established financing strategy and an effective policy of indebtedness. For these reasons, in this chapter we analyze and argue the content and the role played by the funding decisions in applying the financial policy of the firm and, ultimately, in maximizing its market value.

Generally, after 1989, Romanian firms have suffered a severe disinvestment process due to errors committed in the early 90s, by the revaluation of the assets of the former state enterprises.

In the procedure of revaluation of assets, there has been an inaccurate measuring of the capital of the former state economic units, in accordance with the changing demands of the market economy. It was only a forced alignment of the heritage value to the prevailing market prices and also a "satisfaction" of the requirements of an ever-rising inflation.

Under these conditions, both for the former state economic units converted into companies or agencies, and for the newly established private firms, providing the necessary funding at a low price has become a strategic and continuous priority of their management.

The operation and the development of the firms involve a great deal of financial resources, which can not be fully covered by self financing. They are often forced to turn both to the external sources of increasing their equity and to the borrowed sources.

In this context, the financial management bears most of the responsibility of the adopted financial policy at the micro economic level, in order to achieve the objectives of the firms' stakeholders. By its actions, the financial management must ensure both the business operation, and especially the strengthening of its situation, proven by achieving superior market performance.

As the vital component of the firm's management, we consider that the financial management at the micro economic level, has two essential functions, namely:

- planning and controling the business activity by mens and criteria specific to public finances;
- substantiating and adopting financial decisions related to achieving the established objectives, taking into account the financial efficiency criteria.

One of the fundamental financial policy decisions is the choice of means of financing, i.e. determining, on the one hand, the volume of external financing compared to domestic financing, and on the other hand, the "compounds" of external financing. Choosing the type of financing and continuously financing the projects are also essential tasks of the financial managers. Another important financial decision is the choice of short, medium or long-term loan which should closely match the needs of the firm and require the lowest costs possible.

Developing the company's financial policy thus involves determining the financing needs for a certain period of time, choosing the proper leverage variant and establishing the optimal ratio between the short term financing needs and the medium or long term ones.

Considering what we have mentined above, **we consider that the role of the financial manager is to know as much as possible the ways of attracting capital, in order to be able to "orient" the funding policy towards the cheapest sources of capital that would help increase the company's value and satisfying the related parties.**

Obtaining financial resources, both in the short term and in the medium and long term, and the compensation of the financing which makes these funds available to the firm, involve certain costs to be taken into account when adopting the funding decision. In these circumstances, the financial management should promote sustainable and flexible financing solutions, which should satisfy the funding needs required for the firms's evolvement, in terms of ensuring an optimal ratio between profitability and the risks taken by the firm.

Maximizing the market value of the firm requires the adoption of the financing decisions, which should ensure, along with a minimum cost of the capital, the following goals:

- maintaining an appropriate level of self-financing as guarantee of the current and future profitability of the firm, as well as of loan repayment;
- ensuring an optimal capital structure, depending on the established funding strategy;
- promoting an efficient debt policy;
- .applying, on a medium and long term, a policy of capitalization that would ensure both the operation and the development of the firm and the satisfactory remuneration, on a short-term, through granted dividends.

Abstract of Chapter 2- The Financing Structure of the Firm. The Cost of the Exogenous Financing.

In this chapter the main current theoretical, methodological and practical approaches of the optimal financing structure of the firm are investigated and detailed. At the same time, it is argued both the impact of the leverage effect on the management of the funding sources, and the impact of the cost of capital in substantiating its funding decisions.

Fulfilling the fundamental strategic objective of the firm, that of maximizing its market value, requires that a profitable activity should be conducted to ensure all providers of capital with a satisfactory profitability, both on short term and on a medium or long term. This goal involves obtaining sufficient profits to distribute dividends, but, at the same time, reinvesting a portion for development. Simultaneously, it is necessary to pay the creditors at a favorable interest rate for the amounts borrowed to the firm.

Therefore, the market value maximization by the managers involves the adoption of optimal funding decisions that should ensure a minimum level of capital cost and also ensures the following goals:

- maintaining an appropriate level of self-financing as a guarantee of the current and future profitability of the firm, as well as of the loan repayment, in the case of exogenous sources of funding;
- ensuring an optimal capital structure, depending on the established funding strategy;
- applying a stimulating and stable dividend policy according to its business environment and to the investment prospects;
- promoting an effective leverage policy that should provide benefits both to the creditors and the owners, but mostly to avoid bankruptcy;
- applying, on a medium and long term, a policy of capitalization that would ensure both the operation and the development of the firm and the satisfactory remuneration, on a short term, through dividends.

For most businesses, the cash flow generated by the current activity is insufficient, which is why they should choose exogenous financing means. Given their diversity on a market economy, and their advantages and disadvantages, in practice one should select the most efficient sources based on certain selection criteria, but also on the optimal financing structure for the particular firm.

The financial structure of the company is one of the areas of application of the optimization, because its components, being variable, can be combined in such a way as to maximize the firm value while minimizing the cost of obtaining capital.

Some authors argue that, at the firm level, a financial structure policy can be promoted, that, like other policies, requires the coordinated use of certain resources, tools and appropriate techniques, in order to balance the degree of risk with the rate of productivity. (Halpern, P., Weston, J.F., Brigham, E.F., 1998).

In the specialized literature, there are views according to which the relationship between the financial structure, the cost of the funding sources and the firm value is complex, often contradictory and influenced by several factors (Charreaux, G., 1989).

The optimization of the financial structure, under the conditions of minimizing the cost of the funding sources, meets both the interests of the business and of all of its stakeholders (owners, managers, employees, customers, creditors, suppliers, the state, the local community).

Identifying and defining all the assumptions underlying the firm's financial structure optimization contribute to improving the decision-making process in financial terms, and thus to developing the firm's activity.

The premises of optimizing the financial structure of the firm are not only financial in nature, but also include the product policy, the pricing policy, the sales policy, the market expansion possibilities and so on.

In financial terms, it is argued that the prerequisites of an optimal financing structure are the following:

- knowing the financing needs of the firm;
- knowing the financing sources and their weight in meeting the requirements for financing the firm;
- knowing the costs of the financing sources;
- knowing the financial environment at a macro economic level and the financial policies promoted over a certain period of time;
- knowing the behavior of the market participants and their position towards risk;
- knowing the psychological effects associated to borrowing, since the financial structure of the firm emphasizes the attitude of the financial decision makers towards the risk related to financial indebtedness.

Maximizing the market value of the firms has been the fundamental axis around which the financial theories at the micro level were developed. The optimal financing structure has the same objective which is aimed at maximizing the value of the assets held by investors while minimizing the cost of funding sources.

The development of the financial theories seeks to establish a correlation between the firm value, the financial structure and the cost of procuring the capital. Although, some of the elaborated theories argue that the optimal financial structure has a positive effect on the market value of the firm, there are elaborate theories which argue that the financial structure plays a neutral part on it. In this respect, in this paper, we have highlighted the progress and the relevance of the theories regarding the optimal financing structure of the firm, namely:

- the classical or traditional theory; the compromise theory; the agent theory; the signal theory; the hierarchical financing theory; the modern theory on the capital structure.

If it is theoretically possible to achieve the optimal structure of financing, in practice, we consider that this objective is difficult to achieve, due to the problems of quantification of the different variables involved in the medium and long term funding decision. However, the theories presented regarding the optimal structure of financing the firm provide the financial managers with some important lessons.

Firstly, they support the possibility to identify the factors that influence the capital structure and, on this basis, the development of the target structure decision. The target capital structure may be a borrowing rate range that changes in time with the alteration of the generating conditions.

Secondly, the financial managers should aim for a specific capital structure consistent with the overall strategy of the firm concerning the increase of profits, market position, etc., and the funding decisions should be developed according to this structure.

Thirdly, determining an optimal financing structure is a complex process involving a combination of quantitative analysis with value judgments specific to the management of each company.

The issue of funding the firm can not be scientifically investigated without an appropriate approach to the concept of cost of capital as the main variable of integrating the financial market data, between those who make the capital available (the investors) and those who need it (the entrepreneurs and the firms).

There are nowhere, in fact, free financial resources, which is why a good knowledge of the cost of capital by the financial managers is a must. (Levasseur, M., Quintart, A., 1992).

To meet this need, we have achieved in this paper a quantification of the cost of equity, of the borrowed one, of the weighted average cost and of the marginal one.

The national or international financial system offers companies a wide range of financing solutions, so that the choices made between the available financial resources and the ways of combining them are two fundamental aspects of the financial policy.

In adopting the funding decisions, the firms must have strict criteria that allow them to choose and combine these resources. Undoubtedly, **the cost of funding is the main criterion in choosing the funding resources**.

Without knowing this cost, one cannot achieve the maximization of the market value of the firm. Also, the correct estimation of the cost of capital is important in the process of adopting investment decisions made by the firm.

Abstract of Chapter 3 - Bank Lending – The Main Means of Exogenous Financing the Activity of the Firms

In this chapter, the main current approaches on the importance and the role of the bank credit in financing the real economy are presented. At the same time, bank lending practices are investigated and briefly detailed in a comparative study of some consolidated market economies (U.S., Germany and France). In this chapter we have also conducted an empirical analysis of both bank lending to firms in Romania and of the evolution of corporate loans, after 1989, in the Romanian economy.

Following the conducted research, we have noticed that for the firms in Romania the main source of exogenous funding of their work is bank lending.

For this reason, we considered that the theoretical and practical approach to bank lending, the highlighting of good practices regarding lending to firms by banks in some economically developed countries (USA, France and Germany) and the analysis of exogenous financing of firm in Romania through bank loans, should be useful in our scientific approach.

In this context, for firms (corporate customers), regardless of their form of ownership, the commercial banks, at the same time with performing the lending operations and settlements, have an active partners role, constantly directing attention to major economic problems, noticing, where appropriate, the occurrence of events that would generate risks for their management. However, for banks to fulfill this role, firms need to conduct profitable activities, to possess the ability and adaptability to the market conditions, and, depending on the economic outlook, to provide the skills necessary for reorganizing their work at any time.

Lending is tackled by the involved subjects - the bank and the applicant firm - as a business between partners where the firm solves a financing problem and the bank makes an investment with an acceptable efficiency and risk. For this partnership to be mutually beneficial, in bank lending firms a number of fundamental principles must be complied with, such as:

• banking prudence, viability and business soundness of the credited business; the existence of certain real or personal guarantees; the existence of specific documentation, monitoring and control of credits until repay (Hoanță, N., 2001).

Also, for a fair foundation of the lending decision and limiting the related risk, we must respecte certain specific principles such as:

• credits shall only be accepted to qualified firms, according to the bank’s regulations;

• the loan should not be granted if the repaying source is not reliable, or speculative, and when its destination is precisely known;

• the development of the guarantees must be the secondary repayment source;

• the granted credit must relate to a business strategy of the credited firm;

• the debtor firm must provide the bank in a timely manner with complete information about its business, etc. (Trenca,I., 2002).

After 1989, **the corporate credit was a dominant component of the non-governmental credit in Romania**. For this reason, this paper analyzes the evolution of the credits granted to firms in Romania after 1989, emphasizing the causes which led to their trend and the impact on current and future activities of the credited firms.

Following this analysis, we came to a series of conclusions regarding **bank lending to firms in Romania**, such as:

• during the period of rapid expansion in lending (up to the last quarter of 2008), the ratio between the corporate loans and deposits has recorded a relatively upward trend; if the ratio was generally below on the Ron compoment, on that in foreign currency the volume of loans was superior to bank deposits;

• regarding **the structure of the non-government loans** by category of loan beneficiaries, originally majority or fully state owned companies were more numerous, but subsequently, the ratio changed for privately owned companies;

• regarding **the structure of corporate credits by maturity, as a share of the total of corporate credits**, we found out that by 2008 the ratio of short-term loans recorded a downward trend, while that of medium and long term loans recorded an upward trend, because of the many investment projects in progress and needing funding for longer periods of time;

• **the rate of rise of corporate credits** by 2008 was replaced by a contraction between 2009 up to the present, while the effects of the international crisis entirely affected the national economy; as a result of the increasing volume of bad loan, the banks had to make their financing policy more flexible in order to reduce the volume of overdue loans of the firms.

The rate of rise of non-governamental loans up to 2008, has been replaced by a contraction in 2009-2011, according to the data in table 3.1.

The effects of the financial crisis, felt in the Romanian economy since September 2008, after the bankruptcy of the Lehman Brothers U.S. bank, have led to a gradual relocation of corporate lending through changes in the supply of banking products and services, in the credit risk management, and in the projects considered viable for funding.

If by 2008, the corporate credit had recorded consistent growth rates, since 2009 it has slowed down sharply, while the international financial crisis affected the entire national economy. Thus, the share of corporate credits in Romanian Lei, in the total of non-government credits, was approximately 20%, while the share of foreign currency corporate credits was about. 30%.

From the point of view of the corporate credits after maturity, we notive that in 2009-2011, in nominal terms, all types of loans have increased in volume, but at a fairly slow pace, due to the intensification of the lenders' circumspection during the crisis. At the same time, the short term corporate loans in Romanian Lei were more numeous, while in foreign currency, there were more long-term corporate loans.

Table 3.1 *The evolution of the corporate credit between 2009 and 2011*

Year / Indicator	2009		2010		2011	
	billion Ron	**%**	**billion Ron**	**%**	**billion Ron**	**%**
Total of non guvernamental credits, out of which:	199.887,1	100,00	209.298,0	100,00	223.033,6	100,00
• corporate credits in Ron, out of which:	39.216,2	19,62	39.968,4	19,10	44.604,6	20,00
- on short term	20,817,5	53,08	20.537,3	51,38	24.186,7	54,22
- on medium term	9.994,2	25,48	10.094,9	25,26	10.674,6	23,93
- on long term	8.404,5	21,44	9.336,2	23,36	9.743,3	21,85
• corporate credits in foreign curency, out of which:	56.978,0	28,51	64.629,2	30,88	70.763,7	31,73
- on short term	18.625,9	32,69	19.042,9	29,46	20.966,4	29,63
- on medium term	16.620,8	29,17	19.960,3	30,88	21.396,6	30,24
- on long term	21.731,3	38,14	25.625,0	39,66	28.400,7	40,13

Reference: Data processed by the author after the NBR Monthly Bulletin, January 2012

These corporate credit developments were the result of both the reduced demand for loans from companies (due to the reduced product markets) and the tightening of bank lending by requiring collateral guarantees, reducing maturity, eliminating risky funding projects and so on

Under the conditions of the global economic crisis, the banks in Romania have become more selective in financing firms, redirecting their corporate lending strategy through:

 financing mainly the investment projects developed in association with a European partner (EBRD, EIB) or the Government;

 avoiding, wherever possible, the concentration of funding in the economic sectors with a high growth rate in the short term, but very difficult to sustain in the long term (for example, real estate sector in pre-crisis years);

 focusing on safety of the made investments and reducing the likelihood of materializing the credit risk by requiring collateral or government guarantees.

Although it showed a slight increase in activity, the Romanian banking system has fully felt the effects of the global economic crisis, as evidenced by the strengthening of the key indicators to measure the credit risk. Thus, the credit risk at the end of 2011, as compared to 2010, increased to 23.3%, due to the financial constraints on firms in particular. Also the non performing loans (NPL) – as the main indicator for assessing the quality of loan portfolios, from a prudential perspective - continued to grow, reaching 14.3% (31 December 2011). This weak performance was due, on the one hand, to the new approach required by IFRS (by recognizing in the balance the previously acquired debts in off-balance accounts and by applying specific regulations under which the future cash flows have been calculated), and on the other hand, to the financial situation of companies, which generated an increase in outstanding loans.

Regarding the negative trend of bad loans in the period under review, we consider that the Romanian banking system must quickly and correctly react to the new financial reality that firms are faced with. Thus, based on the reality according to which customers in general and firms in particular are the main asset of banks, they must, by the promoted policy, encourage the collection of overdue loans by flexible solutions of restructuring them.

In conclusion, even under the conditions of the economic crisis, we assert that, for the firms in Romania, exogenous financing through bank loans are the main solution to cover the financing needs both of the current activity and of their own development projects.

It has been also noted, from the undertaken research, that, **firms are confronted with a series of difficulties in bank borrowing activity**, such as:

- the insufficient and not always proactive information of the interested firms regarding the products and services provided by banks;
- the preliminary discussions between the representatives of the companies and those of the banks often have a formal rather than consultative character;

- the period of time between the moment the documentation required by banks is presented and the lending decision is sometimes too long, affecting the interests of the requesting companies;
- the demanding companies often do not negotiate the credit conditions and unconditionally accept the terms imposed by the banks;
- in respect of repayment of loans, if the firms fail to fit into the scheduled repayment, they pay interest and penalties; in case they wish to repay loans early, the companies are obliged to pay extra commissions instead of being given some bonuses;
- the interest, the fees and generally the cost of bank loans are high;
- the guarantees required exceed by far the value of the requested credits and they are a demotivating criterion for some firms resolving to this exogenous financing solution.

In order to improve the financing activity of lending to firms through banking products specific to corporate credits, several measures are proposed, such as:

- promoting the web site of the bank and permanently updating it;
- creating folders which should contain detailed information about the credit offer and handing them to the representatives of the firms;
- eliminating the formal nature of the preliminary discussions and counseling the firms' representatives on the specifics of lending, including the right and complete preparation of the required documentation;
- reducing the time of verification and analysis of the documents required by the bank and, in the situation when the credit application is not accepted, the firms should be presented the reasons and the indicators that led to this decision;
- the firms should be provided with the necessary conditions to effectively negotiate with the banks the lending conditions (loan amount, loan period, interest rate, grace period, etc.).
- the repayment schedule shuld be drawn according to the cash flow of the firm and the monthly repayment deadline should not be a specific date, but a repayment period (e.g. between 25-30 of the month);
- the amount of collateral should be determined according to the nature of the activity and of the credit (e.g. in the case of investments in tangible assets, collateral may consist, on the one hand, in the assets already existing in the company, and, on the other hand, in the acquired assets);
- adapting the size and the evolution of the interest rates to the level and actual market trends.

By adopting these measures, we believe that bank lending and hence firm financing would improve and more firms would have easier access to large sums of money that would fill in their financing needs.

Abstract of Chapter 4 - Mortgage Bonds – An Alternative for the Exogenous Financing of Firms.

Although at a national level, exogenous financing of firms by issuing bonds is still underdeveloped, private bond loan having a poor ascent, it is estimated that a scientific investigation and an argumented promotion of this products are of great interest to professionals in the field. Thus, in this chapter, the main current approaches to mortgage bond issue are identified and detailed. Through a case study, the main characteristics of the bond loan in France are presented, which may constitute, for the practice in Romania, important theoretical and methodological milestones. We have also identified through a survey, the main evolutionary features of private mortgage loan on the Romanian market, and the main reasons that led to its unsatisfactory development on the Romanian market.

A viable alternative for exogenous financing of firms, on the medium and long term, and in high volumes, is the mortgage loan.

In a functioning market economy, the development of mortgage loans is the result of **multiple causes** potentiating it, such as**:**

- attractive conditions of issue for subscribers, due to the competition between the issuing firms;
- the reduction in certain periods, of the interest rate on short-term placements, which favors the orientation of subscribers towards medium and long-term investments;
- the deductibility of the interest in the outcome of firms;
- the securities redemption by the issuing firms on maturity etc.

In international pactice, mortgage loans are issued, either **individually** (by strong firms), or **grouped** (through the association of several firms that guarantee together the loan, or through anonimous companies, which distribute the received funds as loans to the adherent firms found in financial needs). In this respect, in this paper, some features of private mortgage loans in France are described, which can be considered theoretical and practical solutions for financing for use in any national economy.

In the analysis regarding the evolution of private mortgage bond market in Romania, we concluded that the exogenous financing of the firms through bonds is still underdeveloped. The instability of the legislative, the financial blockings, the reduced profitability in the economy, the

high nominal interest rates and the rampant inflation in certain periods after 1989, were the main causes that led to a small number of corporate bond issues on the Romanian market.

Given that it presents a number of advantages for both the issuing firms and the portfolio investors on the domestic capital market, **the private mortgage loan had an unsatisfactory development in the analysed period. This situation was due to a number of causes, such as:**

- the economic recession intensity manifested after 2008 made impossible the projection of the firms' revenue on long-term, and thus the payment of the bond coupon and the redemption at maturity;
- the existence of a complicated procedure of establishing the interest rate, as a long-term bond issue should be performed at a rate indexed to the exchange rate;
- the existence of risks associated with the transactions in corporate bonds (such as market risk, the risk of interest rate, the risk due to taxation, etc);
- the existence of risk factors for Romania (such as the emerging market risk, the inflation risk, the currency risk, the exchange rate development, legislative factors, etc.) (Oprean, C., 2008)

In conclusion, given the advantages they offer, compared to other financing methods, we consider that the mortgage loan is, for the firms in Romania, a viable solution of exogenous financing, due to the relatively low costs it requires and the possibility of redeeming the securities, which will be increasingly used in the future.

Abstract of Chapter 5 - Factoring – An Efficient Means of the Exogenous Financing and Institutional Management of the Firm's Debts.

In the context of a globalized world economy and of the development of capital markets, exogenous financing through factoring operations is an effective solution, increasingly preferred by many companies. Therefore, we considered useful to our scientific approach allocating a separate chapter in the economy of the work to this method of funding. Thus, in this chapter, the main current theoretical, methodological and practical approaches on factoring are identified and detailed. At the same time, a study highlights the global and regional trends on financing firms through factoring and analyzes the situation and the development of factoring on the Romanian market, suggesting viable measures to boost its use.

In the conditions of a competitive market, the need to cope with, the firms increasingly need its own financial capital and in order to cover their financing needs, they extensively use new funding instruments created for this purpose.

The factoring, combining financial and commercial interests of a whole economic circuit, meets these requirements and on achieving these interests depens the very efficiency of using this exogenous financing tool.

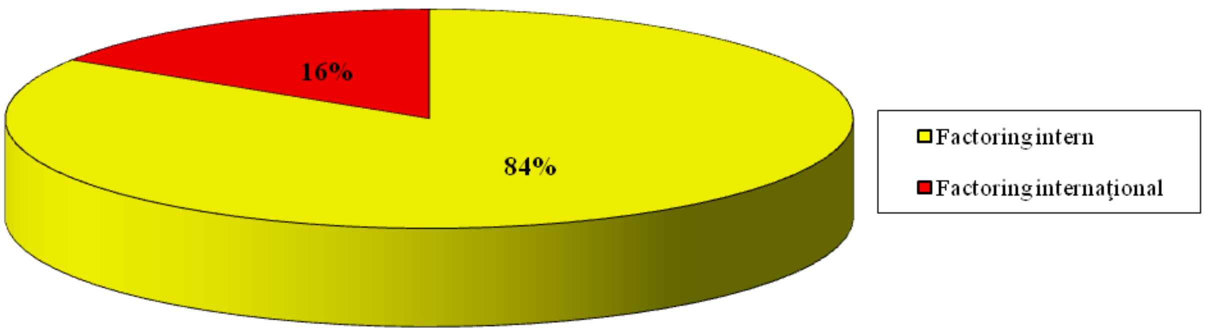
In the economic entrepreneurial approach, we consider that financing through factoring is:

- from the point of view of the origin of funds, an exogenous financing of the firms;
- from the point of view of the financing period, a shor term financing;
- from the fiscal point of view, an income and not a loan or a debt;
- the way of obtaining funds necessary for continuing the business of the firms, by transforming their claims into cash.

In the economic practice, the factoring - as modern instrument of exogenous financing the firms - has some advantages and some disadvantages. Thus, for the supplying company (the factoring client) financing through factoring facilitates on the one hand, the immediate conversion of receivables into cash and, on the other hand, the ensurance of the cash flow needed to continue its business. Factoring presents certain aspects considered to be detrimental. Thus, the short-term nature of the factoring cash flow makes the supplying firm to focus on their short-term use. Also, the exaggerated calculation of costs for its services, may diminish beyond measure the actual purchase price of the receivable, which may affect the financial situation of the supplier.

Internationally, the factoring industry has matured in many countries, currently having almost universal applicability. Thus, between 2005-2011, the total factoring business, overall world economy, grew by about 98%, i.e. from 1,016,148 million Euros to 2,015,413 million Euros. In the same period, on continents, the largest business factoring volume was recorded in Europe, followed by Asia, America, Australia and Africa.

Also internationally, approximately 80% of the factoring operations is domestic factoring, as shown in the chart below. A key role in the development of international factoring business belongs to **Factors Chain International (FCI)**.



Graph. 5.1 *Division of the factoring global market in 2011*

In Europe, factoring has recorded in the recent years, a mostly upward trend, even if the business had a fluctuating development, caused mainly by the effects of the global economic crisis. We should also note that in most European countries (including Romania) factoring operations are carried out through banking companies having specialized structures in this area.

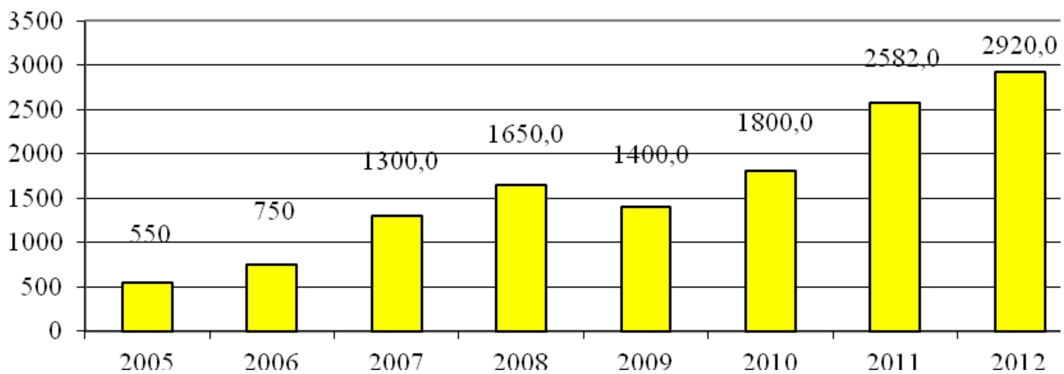
Following the analysis of global and regional trends of factoring, we consider that both global and European perspectives are favorable in all countries. The main challenge of the factoring companies is to maintain flexibility, which will ensure their rapid adaptation to the changes in the market.

Also, more and more entrepreneurs realize that factoring is a short term exogenous financing solution which grows increasingly attractive to small and medium enterprises.

In Romania, the factoring market is in a continuous development, as yet quite limited, both in terms of turnover volume and in terms of companies that are specialized in providing this type of financial services.

This evolution, still unsatisfactory, was caused mainly by the lack of experience and tradition of the banking companies, by the insufficient or inconsistent regulations in the field, by the restrictive conditions of this form of financing for SMEs.

In this context, in the period 2005-2012, the factoring business volume increased by 5.31 times, from 550 million Euros in 2005 to 2920 million Euros in 2012, as it results from graph 5.2.



Graph 5.2 *The evolution of the turnover from factoring transactions in Romania between 2005 and 2012 (millions of Euros)*

The only year in which there was a reduction in the volume of factoring business was 2009, when the turnover fell by 15% over the previous year, due to the global financial crisis wich, unfortunately did not spare Romania.

In the total of the performed factoring operations, the highest share was recorded by the domestic factoring, which in 2011 had a turnover of 2.91 times higher than the international factoring.

In 2012, according to the data published by the Romanian Association of Factoring, the Romanian factoring market increased by 12.8% over the previous year, reaching nearly 3 billion Euros. Structurally, the volume of the domestic factoring operations increased by 16.2% and that of import factoring operations by 23.5%.

The development of the Romanian market in recent years has demonstrated that factoring is a useful tool for financing and managing the firm's receivables, both in periods of economic growth and during economic crisis.

Through factoring, companies can develop their businesses, by procuring larger quantities of raw materials, they can provide their borrowers with competitive payment terms and they do not have to pledge their fixed assets.

The main advantages of using factoring by firms in Romania are:

- **it provides access to a comprehensive package of services**, such as:
  - Immediate and without collaterals funding (the payment of the debts is ensured together with the presentation of documents certifying the delivery of goods / provision of services);
  - Managing income;
  - Managing receivables;
  - Taking the risk of not collecting the debtors;
- **it contributes to the improvement of the cash indicators** by:
  - providing a flexible and predictable cash flow;
  - transforming the collection claims in immediate cash;
  - providing additional cash to enable sales growth;
  - improving balance sheet indicators;
- **it allows the use of the cash obtained by the firm according to the immediate needs, without being bound to respect a certain destination.**
- **it contributes to the improvement of the business relationships of the firm by:**
  - obtaining financial discounts from its suppliers;
  - initiating business relationships with partners who apply for extended payment terms.

Abstract of Chapter 6 - Leasing – An Efficient Method of the Exougenous Financing of Firms in the Market Economy.

Regarding leasing, it has developed more lately, being on the second place after bank lending, on top of the preferences of the Romanian companies, especially of the small and medium enterprises.

The frequent changes of the environment in which firms operate, the increased competition between them, led to a more efficient use of the financial resources available in the economy. In this economic environment, leasing has become a financing and investment instrument increasingly used and its advantages, compared to other solutions of exogenous financing, promoted it as an important factor of the economic growth on a national and global level.

The main advantages of leasing transactions can be summarized as follows:

- it ensures a full funding of an investment from exogenous funds to the beneficiary company (the tenant);
- it represents an advantageous alternative for obtaining and using the most efficient equipment;
- it ensures quickness of the process of approving the operation;
- it ensures certain fiscal facilities (being included in the customs regime of tempoay approval of the external leasing; the deferred payment of VAT at the same time with paying the instalments to the locator; buying tangible assets in a leasing system may cause a decrease in the gross profit and so on)
- it allows sharing the risk between the tenant and the locator;
- the beneficiary firm (the tenant) may plan its future expenses more rigorously and aim its own financial resources towards other activities.

For the scientific substantiating of the leasing funding decision, the firm managers must consider some of its **disadvantages**.

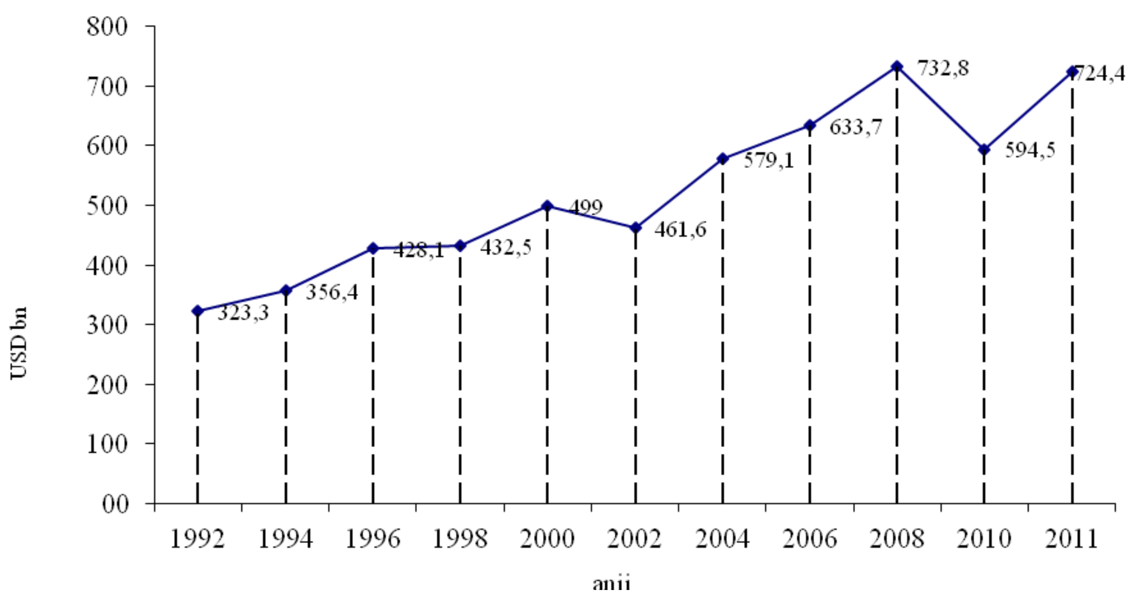
Thus, if we comparatively analyze the scale leasing to the interest rate of medium and long term loans, or to the occasional expenses incurred by the two exogenous financing solutions, we find the following:

- in the periodic payments made by the lessee, the share of interest is greater than the interest of a bank loan;
- the leasing rates will not be calculated, even if the average interest rate in the economy is decreasing.

Also, the property, subject of the leasing transaction, not being the property of the lessee, he can not benefit from a possible re-evaluation and therefore can not constitute collateral material for a bank loan.

As a conclusion, regarding its advantages and disadvantages, the leasing is an important source of financing the firms, that allows overcoming the difficulties posed by an unfavorable business environment, where funding is limited, costly and overly bureaucratic. Leasing ensures the quick obtaining of the right to use various goods, whose efficient employent increases productivity and, ultimately, the profitability of the benefiting companies.

Worldwide, the volume of leasing transactions recorded a mostly upward trend, as evidenced, in particular, by the market penetration indicators. The main reason for the increase in the volume of leasing transactions, especially after 1990, was the acute application of computing and informatics, transport and telecommunications equipment, along with maintaining a high level of demand for high-value goods (e.g. aircraft, medical equipment, industrial and construction achinery, etc.). Thus, globally, the total leasing market in the period 1992-2011, increased by 2.2 times, respectively, from 323.3 billion to 724.4 billion USD, as shown in figure 6.1.

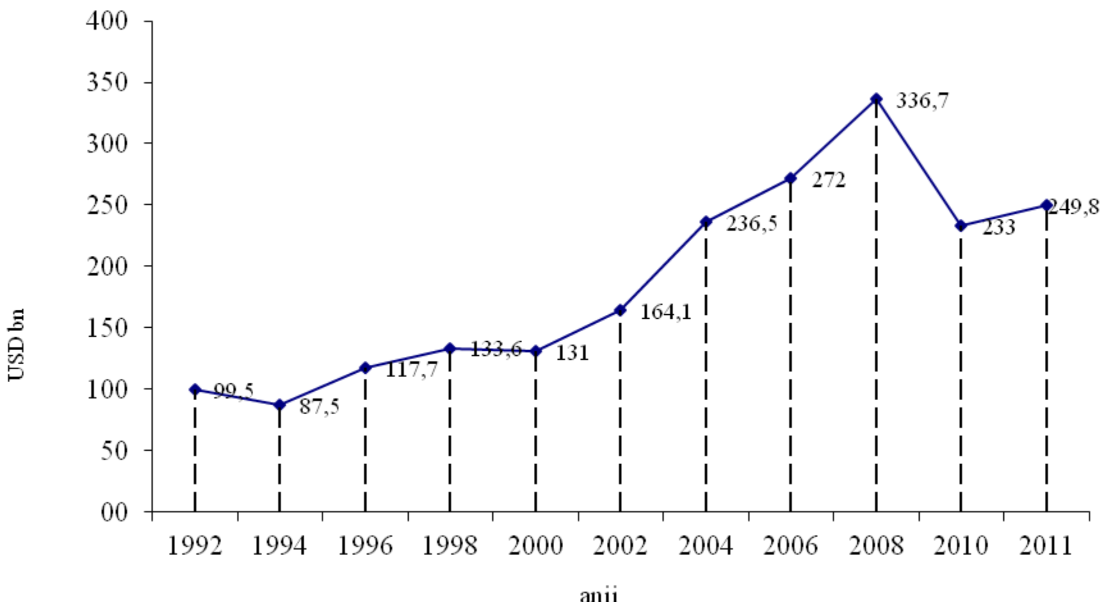


Graph 6.1 *The evolution of the value volume of the leasing transactions on the world market (1992-2011)*

In Europa, the leasing market is in an obvious expansion, primarily due to the significant contribution of Western European states, and of Eastern European markets, which are in a mainly upward trend.

Analysing the European leasing market in recent years, we find out that although it had superior results than the overall economy, this sector too has experienced the effects of the overall economic decrease, caused by the global financial crisis.

In this context, in the period 1992-2011, the total value of the new leasing transactions in Europe, has evolved according to the following graph.



Graph 6.2 *The evolution of the value volume of the leasing transaction on the European market (1992-2011)*
(**Reference:** London Financial Group. White Clarke Global Leasing Report)

From the graph above, we can see that after a short contraction, since 1994 leasing transactions have continuously developed until 2008, their volume being 3.4 times higher than in 1992. As a result of the negative effects of the global financial crisis, the total volume of new leasing decreased in 2009-2010 by 30%, reaching a value of 233 billion USD in 2010. Starting with 2011, the European leasing market has increased its volume, which proves once again that companies, especially SMEs, have understood the viability of this exogenous financing solution for their own functioning and development.

From the conducted analysis on leasing in Europe, we have concluded that even in times of economic crisis, it represents an important exogenous source of cash funds, especially for small and medium enterprises that have multiple opportunities to develop their business.

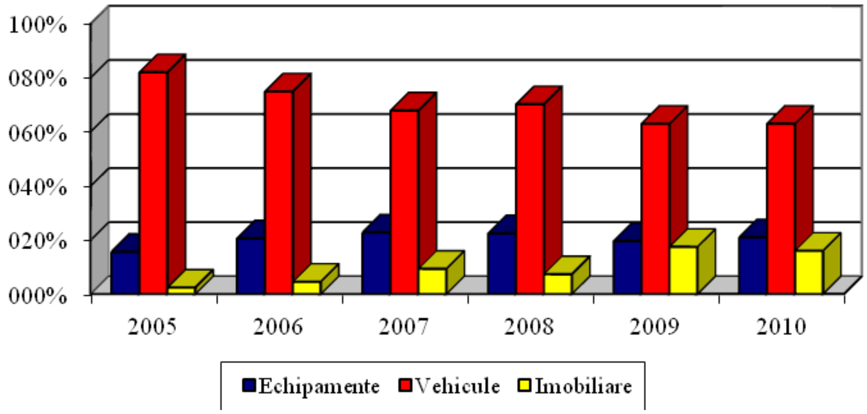
In România, the leasing, although it has a relatively recent history, has been one of the most dynamic developments in the European space, dynamics evidenced both by an increase both in the number of leasing companies, and in the volume of these transactions. Based on the analysis of the dynamic of the leasing transactions in Romania for the period 1998-2012, we concluded that:

- the total volume of the leasing transactions recorded a relatively upward trend;
- the financial leasing transacttions are more numerous at the leasing copanies which are banks subsidiaries;
- private businesses have a share of about 90% of the total funding through financial leasing, while financing through financial leasing of the public sector still remains at modest rates;
- of the total newly financed volume, according to the leasing object, the majority are vehicles (average 65%), followed by equipment (average 25%) and real estate (average 5%), as shown in the table and graph below.

Table 6.1 *The situation of the leasing market according to the categories of the financed objects (2005- 2010)*

Year / Category of the companies		2005		2006		2007		2008		2009		2010	
		billions of Euro	%	billions of Euro	%	billions of Euro	%	billions of Euro	%	billions of Euro	%	billions of Euro	%
Total		2.015,52	100	3.268,01	100	4.945,67	100	4.817,65	100	1.333,29	100	1.121,0	100
out of which	• equipment	314,08	15,58	672,01	20,56	1.126,23	22,77	1.082,01	22,46	261,16	19,59	263,89	21
	• vehicles	1.653,82	82,05	2.448,51	74,92	3.358,06	67,90	3.383,06	70,22	839,59	62,97	706,23	63
	• real estates	47,62	2,37	147,49	4,52	461,38	9,33	352,58	7,32	232,54	17,44	179,36	16

Reference: The Financial Societies Association – ALB Romania



Blue – Equipment; Red – Vehicles; Yellow – Real Estates

Graph 6.3 *The evolution of the weight of categories of items funded in the total of the leasing market (2005-2010)*

• depending on the period of the financial leasing contracts, the most frequent are the ones signed for periods between 3 and 4 years (22%), followed by those signed for periods between 4 and 5 years (20%);

• regarding the operational leasing market, according to the Operational Leasing Societies Association, although it recorded an 11% rise in 2012 as compared to the previous year, it covers an unsatisfactory portion of the total leasing businesses in Romania.

Abstract of Chapter 7- BRD- Groupe Societe Generale S.A financing SMEs through bank loans, factoring and financial leasing. A case study.

Ubiquitous in the contemporary economy, the SMEs play a key role in the economy of each member state of the European Union, being able to ensure sustainable economic growth, to create jobs and to contribute to increasing social cohesion.

For these reasons, in the last chapter, we conducted an applied study where we researched and revealed the place and role of the SMEs in the national and international economic environment and the effective means by which the SMEs were funded in 2008-2012, by a top financial banking company, through bank lending, factoring and financial leasing.

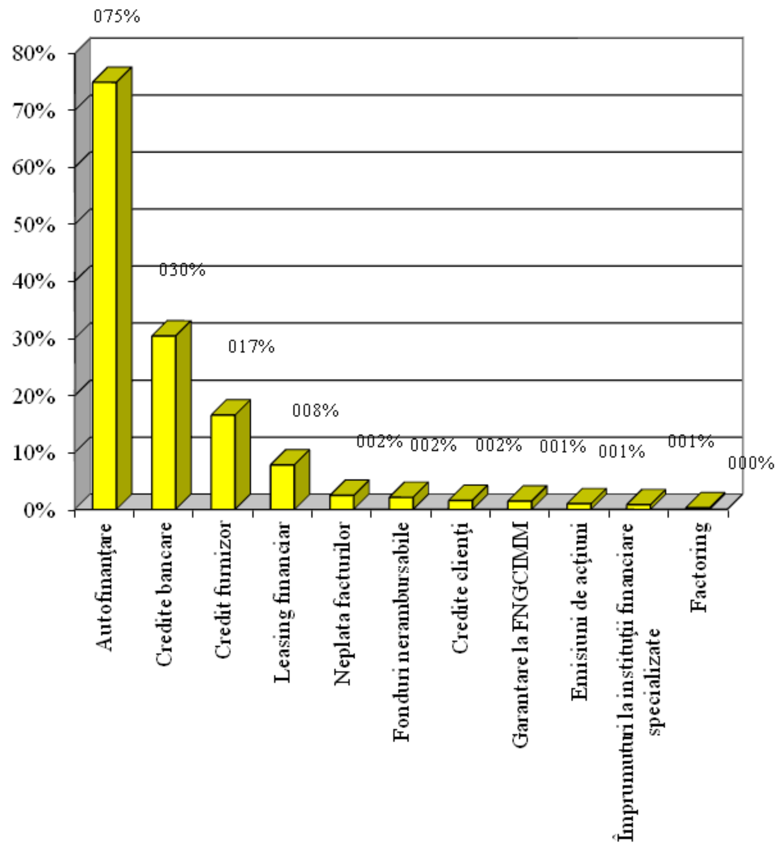
It was also performed a case study on the economic and financial analysis of a medium-sized company applying for a short-term bank credit.

Following the undertaken research of this chapter, the following **conclusions were made on the place and role of the SMEs in the national and international economic environment:**

- in any national economy the SMEs have a key role, since they are the framework for manifesting free enterprise, entrepreneurship, they represent the space where small enterprisers apply and develop their skills;
- the SMEs are the most important and numerous echelon of the firms in a national economy;
- they generate jobs for the majority of the employed population of a country;
- they determine the most applicable technical innovations in the economy;
- they have the highest dynamism shown by the evolution of their number, the volume of their turnover and the number of employees, visibly higher to that in large enterprises;
- they have a high degree of flexibility and adaptability to the requirements and the changes of the market, favored by the scale and speed of the decision-making process specific to them.

After 1990, in the Romanian economy, the SMEs have been an active presence, but their contribution to the economic activity is poorer than that recorded in many European countries.

Regarding the means of financing the economic activities of the SMEs, which have been used in the recent years, we found out that for about 75% of them, the main source of financial support for their activities was the self-financing, as it results from graph 7.1.



Graph 7.1 *Structure of the SMEs depending on the methods of financing the economic activities*

(**Reference:** The White Cart of SMEs in Romania, 2010)

Among the exogenous financing sources, the most frequently used were the bank loans and the financial leasing. Thus, in 2010, 30.4% of the SMEs used bank loans and 7.8% chose financial leasing.

If we consider the "life span" of the SMEs, 5-10 years old firms were self-financed to a greater proportion (approximately 78%), those older than 15 years have turned more to bank loans (about 40%), and 10 to 15 years old firms used in a greater degree, the financial leasing (about 10%).

Grouping the SMEs by size, we notice (as shown in table 7.10) the following aspects:

- the small enterprises have resorted more to leasing (14.77%);
- the unpaid bills and the client credit occur, especially, at micro enterprises (2.60% and 1.76% respectively);
- the medium enterprises mainly use self-financing, bank loans, suppliers credit, grants, shares issued on the stock market and being ensured by FNGCIMM.

Table 7.2 *Differentiation of the methods of financing the SMEs according to their size*

Nr. crt.	**Methods of financing**	**SMEs**		
		Micro entreprises	**Small Entreprises**	**Medium sized Entreprises**
1	Self financing	74,43%	75,69%	81,54%
2	Bank loans	26,80%	40,62%	53,85%
3	Financial Leasing	6,05%	14,77%	10,77%
4	Credit provider	16,08%	16,92%	24,62%
5	Irredeemable Fonds	1,53%	3,38%	6,15%
6	Customers credit	1,76%	1,23%	0,00%
7	Failure to pay invoices	2,60%	2,46%	0,00%
8	Loans from specialized financial institutions	0,92%	0,00%	1,54%
9	Shares issue	0,84%	1,023%	1,54%
10	FNGCIMM Guaranteeing	0,84%	3,38%	4,62%
11	Factoring	0,15%	0,92%	0,00%

Reference: *The White Cart of SMEs in Romania*,, 2012, p. 216.

Also, if we look at SME financing according to its branch of activity, we find out that while firms in industry, tourism and transport turned, in a great number, to bank loans (about 40%), service and tourism firms have counted mainly on self financing (about 80%).

BRD-Groupe Societe Generale SA plays an important role in financing the SMEs. In terms of the assets it helds, it is the second bank in Romania. For these reasons, an empirical analysis has been done in the practical part of the paper, on the evolution of financing the SMEs through bank loans, factoring and financial leasing, by this banking company in 2008-2012. Through a case study, we have performed, from the perspective of the bank, a financial analysis of a medium enterprise which required a short-term loan to cover the cash needed for conducting current activity. However, in addition to the economic and financial analysis, using the scoring method, we determined the internal rating of the company and its inclusion in a risk and economic performance category.

Based on the conducted research, we assess that the SMEs financing is supported by BRD-Groupe Societe Generale SA, but it must be improved, given their place and their role in the national and international economic environment.

Conclusion, Limitations and Opportunities for Future Research

The current period, deeply marked by the global economic crisis, more and more firms, regardless of size, area of activity or product market, feel the effects of the crisis and make considerable efforts to ensure the sustainability of their business.

The development of the economic environment showed that promoting the firms' strategies and objectives as essential steps in ensuring sustainability, under more obvious concurential conditions, is not possible without adequate information on the internal and international financial and economic situation, without taking into account and comparatively analyzing the different techniques and possible scenarios to follow.

In the current economic and social context, which is overly complex and dynamic, and decisevly influences the functioning of the companies, this research brings into question one of the most pressing problems, namely the exogenous financing of the business.

The thesis that we have discussed within the conducted scientific research, entitled *Exogenous opportunities of financing firms* is in line with the concerns regarding the identification and promotion of the most effective financing solutions for the business of the firms in Romania.

From the undertaken research, the main conclusions and recommendations are summarized as follows:

- the maturity and the complexity of the global financial structure decisively influence the action variables of financial management, the terms of their specific problems and the nature of the solutions offered;
- each type of financial environment defines the space covered by the financial management of the company, determining its goals, problems and remedies;
- the role of the financial manager is to know the best ways to attract capital to be able to "oriente" the funding policy towards the cheapest sources of capital that would help to maximize the market value of the company and to better satisfy the interests of the parties involved in its activities;
- the financial structure of the firm is one of the areas of applying the optimization, because its components, being variable, can be combined to ensure the maximization of firm value under the conditions of the increase of the costs of obtaining capital.
- the premises of an optimal financing structure are the following:

- knowing the financing needs of the firm;
- knowing the financing sources and their weight in satisfying the financing requirements of the firm;
- knowing the costs of the financing sources;
- knowing the financial environment at a macro economic level and the financial policies promoted over a given period of time;
- knowing the behaviors of the participants to the market and their position towards risk;
- knowing the psychological effects associated with borrowing, since the financial structure of the firm highlights the attitude of the financial decision makers towards the risk related to financial indebtedness;

- if, in theory, it is possible to establish an optimal financing structure, in practice, we consider this objective difficult to accomplish, due to the quantification issues of certain variables which influence the funding decision on a medium and long term;
- there isn't anywhere, in fact, free financial resources, which is why the financial managers need to have a good knowledge of the cost of the capital;
- in adopting funding decisions, the firms must have strict criteria that allow them to choose and combine these resources, and the cost of funding should be the main criterion in choosing funding resources;
- for the firms in Romania, even in the conditions of economic crisis, exogenous funding through bank loans is the main solution to cover the financing requirement both of the current activity and of their own development projects;
- **in order to improve the financing activity of lending to firms through corporate banking products, a series of measures are suggested, such as**:
    - promoting the web site of the bank and permanently updating it;
    - putting together some folders containing, in detail, all the necessary information regarding he offer of loans and handing them to the firms' representatives and so on;
    - eliminating the formal nature of the preliminary discussions and advising the firms' representatives on the specifics of the lending activity, including accurate and complete preparation of the necessary documentation;

- ➢ reducing the time of verification and analysis of the documents requested by the bank, and when the credit application was not accepted, they should be told the reasons and the indicators that led to this decision;
- ➢ firms should be provided with the necessary conditions to effectively negotiate the lending terms with the banks (loan amount, loan period, interest rate, grace period, etc.).
- ➢ the repayment schedule should be drawn up according to the cash flow of the firm and the monthly repayment period should not be a fixed date, but a payback period (for example 25-30 of the month);
- ➢ the amount of collateral should be determined according to the activity and the nature of the credit (e.g., in the case of investments in tangible assets, collateral may consist, on the one hand, of the assets already existing in the company, and, on the other hand, of the acquired assets);
- ➢ adapting the size and the evolution of the interest rates and fees to the level and the real trend of the market;

- exogenous financing of the firms through bonds is still underdeveloped, private mortgage loan having a poor evolution; this situation was determined by a number of causes, such as:
  - ➢ the economic recession manifested intensively after 2008 made it impossible for firms to project their revenue on a long term, and at the same time to pay the bond coupon and to redeem them at maturity;
  - ➢ the existence of complicated procedures of establishing the interest rate, since an issue of long-term bonds should be performed at an indexed rate according to the exchange rate;
  - ➢ the existence of risks associated with the transactions in corporate bonds (such as market risk, interest rate risk, the risk due to taxation, etc.);
  - ➢ the existence of risk factors for Romania (such as: emerging market risk, inflation risk, currency risk, the exchange rate developments, legislative factors, etc.);
- given the advantages they offer compared to other financing methods, we consider that the mortgage loan is, for the firms in Romania, a viable exogenous financing solution because of the relatively low costs it requires and the possibility to redeem securities on the market and, in the future, it will be increasingly used;

- following the analysis of the global and regional trends of factoring, we consider that both at a global and European level, its perspectives are favorable in all countries;
- in Romania, the market of the factoring is in a continuous development, being as yet quite limited, both in terms of turnover volume and in terms of companies specialized in providing this type of financial services;
- the development of the Romanian market in the recent years demonstrates that factoring is an useful tool for financing and management of the firm's debts, both in periods of economic growth and during an economic crisis;
- in order to boost the factoring business on the Romanian market, **the following measures are suggested:**
  - regulating the organization and functioning of the factoring companies and of the criteria to be met for their establishment;
  - including the factoring contract within the unnamed contracts and simplifying the formal submission of claims;
  - stimulating the creation of companies specializing in factoring operations, by the financial and fiscal regulations that should increase the competition and therefore the quality of the service;
  - simplifying the procedure for granting funds by commercial banks, by reducing the number of documents necessary for compiling the financing file and signing the factoring agreement;
  - reducing the time needed to review the documents submitted by factoring clients, so that they should quickly cash the financial resources needet to support their current activities;
  - increasing the promotion and consultancy activities held by the commercial banks and NBFIs, by presenting some personalized financial schemes, specific to each exporting firm according to its field of practice;
  - promoting prevalently the factoring and supporting its by government and National Bank means to ensure the financial resources needed for the economic growth and hence for a sustainable economic development;

- regarding the leasing, it has lately developed a lot, being on the second place after bank lending, in the top of the preferences of the Romanian companies, especially of small and medium entreprises;
- considering its advantages and disadvantages, leasing is an important source of financing the firms, that allows the overcoming of the difficulties posed by an unfavorable business environment where funds are limited, costly and overly bureaucratic;
- from the analysis of leasing at the European level, we concluded that, in situations of economic crisis, it represents an important exogenous source of cash funds, especially for small and medium entreprises that have multiple opportunities to develop their business ;
- following the analysis of the situation and the dynamics of transactions in Romania during 1998-2012, with the intention of improving exogenous financing of the Romanian firms through leasing, the following aspects should be considered:
    - the accounting and tax legislation in the field should be reviewed, meaning that all aspects of the financial and operational leasing should be approached (interest, VAT, impact on the profitability of firms, etc.);
    - a unitary leasing contract ahould be developed at a national level, and certain common rules for all leasing companies;
    - the complete and accurate information of the firms of the advantages and the disadvantages of each form of leasing and advising them to select the variant that best suits their needs;
    - promoting the leasing for equipment, tools and machinery which are directly productive (by granting residents with bonuses or bonuses, etc.);
    - adopting the interest rates and fees to the value of the financed asset, so as to ensure a reduction in the total expenses incurred by the leasing;
    - given the fact that during the use of the property, the tenant is not the owner of the property, the insurance costs should be borne both by the user and the sponsor;
    - expanding the leasing on the software market (through the acquisition of software by companies in leasing);
    - the minimum social capital of the leasing companies should be dimensioned according to the value of the signed contracts, in order to increase their credibility with other banking and financial institutions that they can refinance;

- simplifying the bureaucracy required to obtain financing and adapting it according to the value of the property;

- ubiquitous in the contemporary economy, the SMEs play a key role in the economy of each member state of the European Union, being able to ensure sustainable economic growth, to create jobs and to contribute to increasing social cohesion;
- after 1990, the Romanian economy, SMEs have been an active presence, but their contribution to the economic activity is lower than that recorded in many European countries;
- regarding the means to finance the economic activities of SMEs, which they have used in recent years, we have noted that for about 75% of them, the main source of financial support for their activities was the self-financing; out of the exogenous sources of financing, the most used were the bank loans and the finance leasing. Thus, in 2010, 30.4% of the SMEs used bank loans and 7.8% made use of finance leasing;
- based on this analysis, it is estimated that BRD-Groupe Société Générale SA supports the activities of the SMEs through adequate funding, but it should be continuously adapted, in mutually advantageous terms, to the changes occurred in the national and international economic environment.

As a final conclusion, it is considered that firms, depending on the complexity of the activities they perform, should achieve an optimal combination of the presented funding sources. In this case it is recommended to use short-term loan combined with factoring, and medium and long term loans combined with financial leasing.

Before we present some perspectives of the conducted research, we need to underline some of its limitations. In general, these were connected to the research possibilities, namely the data collection on the situation and the development of financing through bank lending, factoring, leasing and private mortgage loan. During the collection of these data for their processing and use, we have noted the absence over a long period of time of institutions / associations which should have objectively assessed the real quality and size of these markets through the use of unitary practices, methods and tools. Therefore, the available data were sometimes limited and inadequate, the subsequently created institutions / associations presenting only data of their member companies and not those of other companies in the field. The banking data needed for the analysis and case studies were hardly obtained, since there are some exaggerated restrictions in collecting and processing them.

Regarding **the prospects of the conducted research**, we consider that the issue of exogenous financing of firms is highly complex and dynamic, therefore the solutions presented are not exhaustive and with the strengthening of the national economy and the local financial system, other funding opportunities will be studied and used, providing the firms with the necessary resources for a sustainable development.

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