

IO4 Business Development and Planning Framework

MODULE 3 - Funding and financing

Unit 2: National Funding opportunities - Romania

Welcome!

Welcome to the **RESET Module 3 Funding and financing** resource! This resource will introduce you to **Unit 2: National funding opportunities (Romania)**.

INTRODUCTION and AIMS:

In this Unit we will have a brief description of the sources of funding in Romania to be able to start and continue a business.

LEARNING OUTCOMES:

On successful completion of this resource, you will be able to:

- Describe the main sources of funding and how you can use them for your business.



Why do I need a Romanian funding?

- Grow and develop my business
- Financial stability
- Good image and attractiveness in the business environment

Reflection Exercise



1. How large and sustainable is your business?
2. What do you know about funding?
3. Will you apply for funding?



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Unit 2. National funding opportunities

What are the main funding that can be obtained in Romania?



- Own funds and funds borrowed from family and friends;
- Bank credits;
- Issuance of shares;
- Issuance of bonds;
- Special program funding;
- Venture capital funds;
- Leasing;
- Credits from suppliers and customers;
- Commodity credit (factoring and discounting)



Own funds and borrowed from close persons.

This funding source therefore ensures flexibility, security and independence.

The disadvantages of financing from own sources are also important:

- Own funds are generally fairly limited and can hinder business development;**
- In the case of failure, the loss will be entirely borne by the entrepreneur (or his or her close);**
- The firm will be less well known by financial institutions and will find it harder to raise funds in special situations.**



Banking credit

Advantages of bank credit:

Obtaining additional funds;

- Establishing a relationship with a known financial institution;
- Getting a credit can act as a signal that verifies the viability of the business;
- Flexibility in terms of the amounts committed;
- Viability, a clear picture of his financial situation.

Disadvantages of bank credit:

- The reluctance of banks to finance new firms;
- The risk of losing the guarantees lodged or even the risk of bankruptcy in case of non-repayment of the credit;
- Involvement of an "external" factor in company management;
- Exposure to new risks - for example, interest rate risk;
- The risk of credit disruption in case of unfavourable business events.

More information on active loans for SMEs can be found at

<http://www.finantare.ro/credite>.



■ Issuance of shares and bonds

Is an important source of funding for large firms, but they are very little accessible to start-up companies.



Special funding programs

Companies have access to various grant programs. Potential sources of funding are the programs of the European Union, those of the Romanian government, USAID, etc. (A comprehensive source of information in this area is <http://www.finantare.ro/>).

Obtaining such funding means:

- Permanent information on existing programs;
- Studying the eligibility criteria;
- Selecting the appropriate variants of the company's activity profile;
- The necessary documentation and the submission of the project.

It is possible that the program itself suggests possibilities for expanding / diversifying the company's activity.

Besides the risks related to the confidentiality of company data, the consultant sometimes does not even intend to achieve the requested documentation.



Leasing

Leasing is a special form of medium to long-term lending for the procurement of industrial equipment.

The equipment is bought by the leasing company and subsequently leased to the applicant. Often, the applicant himself is mandated on behalf of the leasing company to buy the equipment he or she needs.

Special forms of leasing are lease-back and time-sharing:

- In the form of lease-back, the equipment owner is confused with the applicant who is in urgent need of money. In this case, he shells the equipment to a leasing company, then renting it from it;
- In the form of time-sharing, there are many applicants who want to use the same equipment, but each uses it for a certain amount of time.

Regardless of the form in which the lease is made, at the end of the period the applicant has several options:

1. Termination of the contract;
2. Continue for a new period of time;
3. Purchase the machine at a pre-established price.

More information can be found on

<http://www.finantare.ro/leasing>.



Loans from suppliers and customers

From the moment the company received the goods / services delivered by the suppliers and until the actual payment, the entrepreneur actually benefits from a credit from the supplier.

A similar situation occurs when the company's customers pay in advance.



Factoring is a loan given by commercial banks by clearing supplier credit. The loan is guaranteed with a pre-maturity invoice.

From a legal point of view, factoring is a contract concluded between the bank (factor) and the client (adherent) whereby the factor (the bank) undertakes to pay a certain amount of money in exchange for a commission upon presentation of the documents evidencing a commercial claim.

From the difference between the price paid by the bank and the one received by it at the maturity of the invoice, the bank covers its expenses and generates its profit. The bank will basically buy at a lower price.



Business Angels

"Business Angels" are business people who invest money, ideas, and experience in developing business start-ups or growing business.

Often, this kind of investment brings greater profit to the financier than traditional financial investments.

Many of the "Business Angels" are successful entrepreneurs that help young entrepreneurs build a business.



Reflection exercise

Now it's time to reflect on your business and opportunities for funding it.

- Which of these opportunities do you know? When and how do you access them?
- Which one do you need to study more and why?
- Which are the barriers that hinder for funding your business? Write them down. Afterwards, suggest possible solutions or ways to overcome them.

Thank you for taking the time to use this “Funding and financing” resource developed by the RESET project team.

To access more information or additional resources developed by the RESET project, please visit the project website at:

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