

СЕКЦІЯ 5. ТРАНСФОРМАЦІЯ ФІНАНСОВО-КРЕДИТНИХ ВІДНОСИН В УМОВАХ ГЛОБАЛІЗАЦІЙНИХ ТА ДЕЦЕНТРАЛІЗАЦІЙНИХ ПРОЦЕСІВ

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ALTERNATIVE FINANCING TECHNIQUES FOR SMALL AND MEDIUM ENTERPRISES: INTERNATIONAL AND NATIONAL PRACTICE

The financing of the small and medium-sized sector is one of the fundamental problems of the economies of the post-Soviet countries, among which is the Republic of Moldova. The main source of financing for small and medium-sized enterprises is bank lending. We would like to mention that the economies of the developed countries also apply for financing methods such as:

Factoring is an agreement between a buyer called a factor and a seller called adherent, whereby the factor buys the seller's accounts receivable, usually without recourse, thus assuming the responsibility for the debtor of the receivables ability. If the debtor of the receivables becomes bankrupt or cannot honor his financial liabilities for various reasons, the factor takes over the corresponding financial loss.

Forfeiting is defined as the purchase-sale process, without recourse to any previous holder of debts in arrears as a result of the delivery of goods or the provision of services. Unlike factoring, the term of this type of funding is more than 1 year. A type of financing that whereby a bank gives an exporter cash up front so as to guarantee payment to them. Used primarily when export traders deal with high risk countries.

Leasing is a financing method whereby a party called *lessor* sends to the other party, called *lessee* at the request of the latter, against a periodic payment known as the leasing rate, the right to use a good and to be its owner for a determined period of time. Throughout the contract, which is at least 12 months in accordance with the legal provisions, the leasing company remains the owner of the asset subject to the lease. **Syndicated credit** is a loan granted by a number of banks acting in concert to provide the customer with a certain credit facility. Usually syndicated credit refers to large sums that a bank cannot offer to its clients and appeals to banks within the bank syndicate.

Crowd funding is a way to fund projects using on-line resources often used to finance social entrepreneurship projects.

Financing through asset securitization is the process through which an issuer can create financial instruments by combining financial assets that then is sold

under different tranches to investors. Securitization consists of "packing" a number of small, non-marketable credits such as mortgage loans, credit card loans, in financing packages with considerable amounts and which can be secured or guaranteed by private agencies.

Financing through venture capital - represents the minority or temporary participation in the capital of the newly created enterprise or of a very young one. Venture capital is the financial capital offered to early-stage companies with high risk and high potential for growth. The venture capital investment fund earns money by owning a part of the equity capital of the company in which it is investing, which usually has a new technology or a business model in high-tech industries such as biotechnology, IT and software.

Overdraft and credit lines are the financing of the client's short-term bonds in cases when expenditure temporarily exceeds the revenue on its current account. The financing period is 12 months, with the possibility of re-utilization and corresponding prolongation of maturity.

Mezzanine financing is a loan granted by an investment fund to a company, with the possibility of converting debt into share if the loan is not fully covered and matured. Mezzanine funding represents long-term subordinated loans of five to eight years, fully repayable at maturity, with the financier having the option of becoming the shareholder of the borrowed company, at a time when the majority shareholder of the company changes or when it is listed on the stock exchange.

The funding methods presented above are widely practiced in European countries, especially for small and medium-sized enterprises. Unlike the European states, in Moldova the main source of financing for economic entities, especially those belonging to the small and medium-sized sector, remains the bank credit. Among other alternative ways of financing in our country along with bank credit is financial leasing. At present, one of the sources of financing that accelerates growth is represented by factoring that can be considered the main competitor of the bank credit.

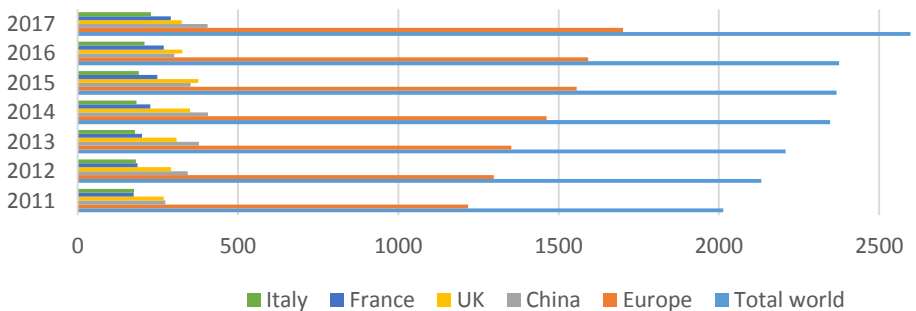


Figure 1 International factoring trends 2011-2017

Source: Drafted up based on data provided by FCI

From the above figure it can be noticed that world leaders of factoring in 2017 are represented by China (15%) followed by Great Britain (12%), France (11%), Italy (8%) and Germany (8%). In this context, we mention that Moldova is placed on the last place with a factoring volume of only 3 mln. Euro, compared to our neighbors: Ukraine recording a volume of 295 million euros in 2017, Romania- 4560 mln. euro and Russia- 33 792 mln. From the carried out research, it can be noticed that most post-socialist states do not hurry up to develop new ways of financing for entrepreneurship, which is negatively reflected on the development of the state's economy. A very widespread way of financing in Moldova is microfinance which offers the possibility of obtaining a small amount of money in a short period of time but with much higher interest rates than bank credit. We regret that in some post-soviet states the path to other alternative funding methods is not accessible and the institutions of those states do not take any stimulating measures for their implementation and development. The Moldovan example shows that the market for microfinance services has progressed considerably in recent years. From the performed analysis we can conclude that the conditions of the microfinance are quite tough and aren't at all advantageous for individual entrepreneurs, for example. We specify that commercial banks offer credits at an interest rates ranging between 5-8%, the lending period may last up to 5-7 days, so the credit bureaucracy affirms itself. Some microfinance companies offer micro-loans within one hour to simplify the procedure, but it is to mention that the interest rate is 2.5-2.9% monthly, plus some management fees, as a result the Annual Real Interest Rate reaching 150-350 % annually.

In order to ensure sustainable economic development, there is a need to develop the market for alternative financing options, so that the entrepreneur has the possibility to choose an optimal, affordable and cheaper source for his business. In this context, factoring is one of the financing methods that could be successfully developed for small and medium enterprises, which make up about 90% of the entrepreneurial sector. It may be appropriate to practice it in Moldova because it allows financing on the basis of payment bills within a short period of 1-2 days, as well as tracking and managing the debtor's accounts receivable. This could be achieved later by changing the legislation of non-banking financial institutions, encouraging the development of factoring by reorganization of the non-bank financial institutions of microfinance into factoring companies. The practice of new ways of financing for the Moldovan economy is a very necessary one because it would still ensure sustainable economic development.

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