

FINANCING ALTERNATIVES OF MICRO ENTERPRISES (II PRACTICAL APPLICATION)

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Abstract: *One Micro-enterprises can benefit from state aid only when they demonstrate that, at the time of the on-line completion of the business plan, they meet cumulatively the eligibility criteria imposed by the funding authority. These criteria are minimal and binding for fund applicants and are conditioned as micro-enterprises: 1. to be organized either according to the Law on Commercial Companies no. 31/1990 or according to Law on co-operation no. 1/2005, republished; 2. are small and medium-sized enterprises; 3. are registered at the national trade registry office; 3. have integral private share capital; 4. have their registered office and / or working place; 5. the subject-matter of the activity is authorized and eligible according to the requirements of the aid scheme at the time of submitting the request for reimbursement; 6. the activity takes place in Romania; 7. does not have obligations to the consolidated budget of the state; 8. is not in bankruptcy, is not in dissolution, is not in judicial reorganization, is not in liquidation, is not subject to forced execution, is not in insolvency or bankruptcy, does not have temporary suspended activity or has operational closure.*

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JEL CODE: E 40, E 51, E 59, D 59.

1. Introduction

Investments are the engine for the development of micro-enterprises and the basis for growth and economic development, motivated by the fact that investments take place:

- purchases of fixed assets;
- Creations of fixed capital;
- Upgrading the technical and material basis of the micro-enterprise;
- increasing the production capacities of the micro-enterprise;
- Creating new jobs that contribute to the growth of human capital;
- Increases in production volume by upgrading production capacities;
- Income growth;
- the growth of own funding sources;

- profit growth;
 - development, economic growth and microenterprise expansion;
 - Establishing a new source of education.
- The elements underlying the substantiation of the investment decision are reflected in:
1. the amount of the investment which expresses the size of the total funds for the realization of the investment until it is put into operation;
 2. the duration of the execution of the investment works reflects the period of time during which the investment objective is achieved;
 3. the duration of the investment operation according to the catalogs showing the working durations of the fixed assets;

4. the recovery period of the investment timeframe in which the investment is recovered;

5. the economic efficiency of the investment in relation to the annual profit obtained on an invested monetary unit;

6. the economic return on investment calculated as the ratio between the net profit and the value of the investment.

According to the eligibility criteria, the specification of the indicators must meet the conditions in table 1.

Table 1. Indicator specification

No. crt	Indicators
1.	Investment value (V_i) = total value of the project excluding VAT
2.	Operating Income (V_e) = earnings from the current activity, according to the applicant's object of activity.
3.	Operating Expenses (C_e) = expenses generated by running the current activities
4.	Operating result rate (rRe) - must be at least 10%
5.	Investment Recovery Duration (Dr) - maximum 12 years
6.	Return on investment (rRc) rate - must be at least 5%
7.	Cash Flow Coverage Rate (RAFN) - must be greater than or equal to 1.2
8.	Medium and Long Term Lending Rate (in) - maximum 60%
9.	Rate of upgrade
10.	Updated Net Value (VAN) - must be positive
11.	Available cash at the end of the period - must be positive

Source: Auhtor

2. Stages of Investment Decision

In a logical succession, the decision to invest through projects needs to go through some stages:

Stage I. Stage of the investment decision

1. Establish the Project Name;
2. Obtain the content of information with character:
 - financial accounting within the micro-enterprise;
 - economic and financial technical statistics of the micro-enterprise;
 - plan and forecasts and financial planning;
 - financial and technical projections;
 - externally, procurement from the economic environment, from business partners, from institutions regarding finance.
3. Data Collection;
4. Sorting Data by Pre-established Criteria;
5. Calculation and processing of data;
6. Obtaining new information as a result of processing data and information;
7. Processing the resulting data and information;

8. Analysis of data and information

9. Apply the scenario method to different built-in variants;

10. Apply the SWOT method to each variant;

11. Applying the comparison method to the advantages and disadvantages of each variant obtained

12. Selection of the final variants for micro-enterprise

13. Adoption of investment decision at micro-enterprise level based on:

- 13.1 Analysis of the final variants by specialists;

- 13.2 Selecting the final version;

- 13.3 Final selection selection argumentation;

- 13.4 Approval of the final version.

Stage II. Making the investment decision.

The baseline of the investment decision is the cash flow of the investment project on the grounds that it shows the flow of inputs and outflows the net value associated with the project over its entire life span.

Cash flows also reflect financial sources.

The concrete mechanisms for accessing

projects and projects for realizing investments is different and depends on the type of financing the micro-enterprise. Thus, there are financing programs that ensure the non-reimbursable financing, namely grant the subsidy as follows: 30%; in a proportion of 40%; in a proportion of 50%; in proportion of 60%, in the proportion of 70%; in a proportion of 80%; in a proportion of 90%; in a proportion of 100%.

Theory and practice report investment decisions to exposure risk.

From this perspective, investment project decisions are framed and grouped according to how the fundamental objective of the project lies at a probability threshold for the investment project to be the value of the figure of 1.

Investment decisions are grouped into: investment decisions under certainty when the fundamental objective of the project lies at a probability threshold for the realization of the investment project having the value of 1.

A draft decision is in the area of risk, and we discuss decisions taken under uncertainty when the fundamental objective of the project lies at a probability threshold for the investment project having the value less than 1, respectively, less than 1.

3.Methods and Types of Investments Underpinning Investment Decisions

The specialized literature presents a series of methods to support those interested in resorting to investment finance through projects.

Among these methods, the most well-known are represented by:

- Traditional methods based on a case resolved before.

- Analytical methods based on analytical examination on the parts and the components of the object.

- Methodologies related to the idea association, based on the association of ideas and methods:

- ✓ Brainstorming method based on joint research.

- ✓ In the Gordon method by which the group leader should retain valuable ideas

- Methods based on the relationship imposed by different hypostases.

- The catalog of ideas for avoiding or taking over ideas from the past.

In a synthetic form, we present in table number 1, types of investments that are subject to investment projects.

Table 2 Types of investments

Nr. Crt.	Name of the type of investment	Explanations
1	Administrative investment	It is made up of infrastructures.
2	Autonomous investment	It is an independent investment.
3	Gross investment	Goods whose lifetime is greater than one year, which contributes to gross fixed capital formation.
4	Investing in human capital	It is an investment type of intangible investment, oriented towards quantitative growth and qualitative improvement of knowledge in order to increase productivity.
5	Civil administrative investment	It is made up of road infrastructures that help exchange.
6	Financial investment	It aims at acquiring securities that are targeted to earn an income.
7	Replacement investment	It is part of the investment that is used to replace the goods: old reduction.
8	Investment in housing	Represented by those properties of the enterprises that they rent to their employees.

9	Material investment	It is represented by the type of investment that involves industrial construction, machinery.
10	Non-corporal investment	It is the investment through which software, licenses, patents, research and training activities are acquired, as well as some marketing and advertising expenses.
11	Net investment	They represent equipment goods other than replacement goods.
12	Offensive investment	The purpose of the investment is to conquer a market segment, to gain a certain advantage
13	Productive investment	It is represented by the improvement of production equipments, which contribute to the increase of production per man / hour or per unit of money invested like labor productivity or even increase of the global volume of production.
14	Productivity investment	It is a productive investment dedicated to cost reduction.
15	Strategic investment	Investing with long-term effects
16	Tactical investment	Profit-oriented investment in the short and medium term.

Sursa: Autor

4.In Economic Practice: Cash Flow Model for the Investment Project

We present a cash-flow model:

Table 3. The cash flow model for the investment project, Lei

Nr.crt.	Indicator specification	
I.	INVESTMENT ACTIVITY	
A.	Total cash inflows from:	2,069,453
	1. Contribution to the capital of the company (loans from shareholders/associates)	1,208,973
	2. Sales of assets, including VAT	
	3. Long Term Loans, of which:	
	3.1. Loan - project co-financing	
	3.2. Other Medium and long-term loans, leases, other financial liabilities	
	4. Grant aid (including advance payment)	860,480
B.	Total liquidity outflows through investments	1,605,000
	1. Acquisitions of tangible fixed assets, including VAT	1,605,000
	2. Acquisitions of intangible fixed assets, including VAT	
	3. Increase in ongoing investments	
	Total cash outflows through financing	
C.	1. Medium and long term Refunds of credits:	
	1.1. Loan rates - project co-financing	
	1.2. Rates on other Medium and long term loans, leases, other financial liabilities	
	2. Interest payments on medium and long term loans, of which:	
	2.1. Loan - project co-financing	
	2.2. On other medium and long-term loans, leases, other financial liabilities	
D.	FLOW OF LIQUIDITY IN INVESTMENT ACTIVITY	464,453

II.	THE OPERATION ACTIVITY	
E.	Income from operating activity, including VAT	
F.	Receipts from short-term financial activity	4,030,000
G.	Short Term Credits	
H.	Total cash inflows	
I.	Payments for operating activity, including VAT (if applicable), of which:	4,030,000
	1.Raw materials	
	2.Other Materials	
	3.Energy and Water	
	4.Commodities	
	5.Costs for staff	
	6.Insurance and Social Protection	
	Foreign benefits	
	7.Taxes and similar charges	
	8.Other Payments related to Exploitation	
J.	Gross Profit before Payments for Profit / Turnover Tax and VAT Adjustment	
K.	Payments / Receipts for Taxes and Fees	4,030,000
	1. VAT Payments	1,129,000
	2. VAT reimbursements	449,000
	3. profit tax / turnover	
L.	Repayment of short-term loans	680,000
M.	Interest payments on short-term loans	
N.	Dividends	
O.	Total paid exclusively for exploitation	35,000
P.	Cash flow from operating activity	2,866,000
III.	LIQUIDITY FLOW	2,866,000
Q.	Net cash flow of the period	3,330,453
R.	Available cash of the previous month	
S.	Available cash at the end of the period	
Q.	Net cash flow of the period	
R.	Available cash of the previous month	
S.	Available cash at the end of the period	3,330,453

Source: Author

5. Conclusions

Micro-enterprises specific to financing through investment projects is the fact that micro-enterprises benefit from various programs of non-reimbursable financing according to the way of incorporation of micro-enterprises according to well-defined criteria by the financiers, respectively:

1. By type of activity;
2. If a micro-enterprise is newly established;
3. If the micro enterprise is senior;
4. If, according to the law, the micro-

enterprise falls within the timeframe imposed by the financier;

Projects have governmental and european funding.

With regard to taxes and fees at the level of the projected years, they represent the contributions to the single consolidated state budget, respectively to:

- state budget;
- social insurance budget;
- local budget.

These contributions as taxes and fees at the local level will have the following effects:

- contribution to local development;
- creating new job places[2].

Practice has shown that creativity and inventiveness are the ones that generate the projects. For a project, cash-flow is the financial source generated by the additional project, and is the projection of its course throughout its lifetime.

Cash-flow mitigates a value that is obtained as a global difference between incoming and outgoing flows resulting in net project value. This value should be designed in such a way that only positives are available throughout the project.

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