

THE NEED TO CREDIT COMPANIES IN THE FOOD INDUSTRY

Tindeche Cristina

*University of Agronomic Sciences and Veterinary Medicine, Bucharest, 59 Marasti, sector 1, 011464,
Bucharest, Romania, Phone: +40 21 318 04 65, Fax: + 40 21318 28 88
E-mail : tindecu_cristina@yahoo.com*

Abstract

With the purpose of obtaining superior levels of market, achieving the planned financial objectives as well as to cope with a developing competition in domain, which impose as imperiously necessary a good coordination of activities at the agro-food unit's level, the renewal of the technology of the production capacity as well as setting an efficient system of management. At the same time, the rational usage of resources of any kind, the efficient unfolding of production represent major objectives and at the same time, essential premises of developing agro-food units. In conclusion, the identification of financial resources which must contribute to the growth of economical profitability and competitiveness of units represent an imperious necessary condition.

Key words: financing sources, agro-food companies, profitability, competitiveness

INTRODUCTION

The rational usage of resources of any kind, the efficient unfolding of production represent major objectives and at the same time, essential premises of developing agro-food units [3]. The investor's category includes the individual investors the institutional ones, investment funds and other economic organisms that finance the investments [1]. Investors are drawn by a business, first of all because of the profit they hope to achieve and second because of the predicted growth of the business. They represent that category of investors that need to find out that the business will record a growth and future consistent profits [2].

MATERIAL AND METHOD

The potential sources of financing from at the level of an agro-food unit are: creditors, investors at the same time other potential finances (creditors or investors) [2]. In figure number 1 the main financing sources which can exist at the level of an agro-food unit are shown.

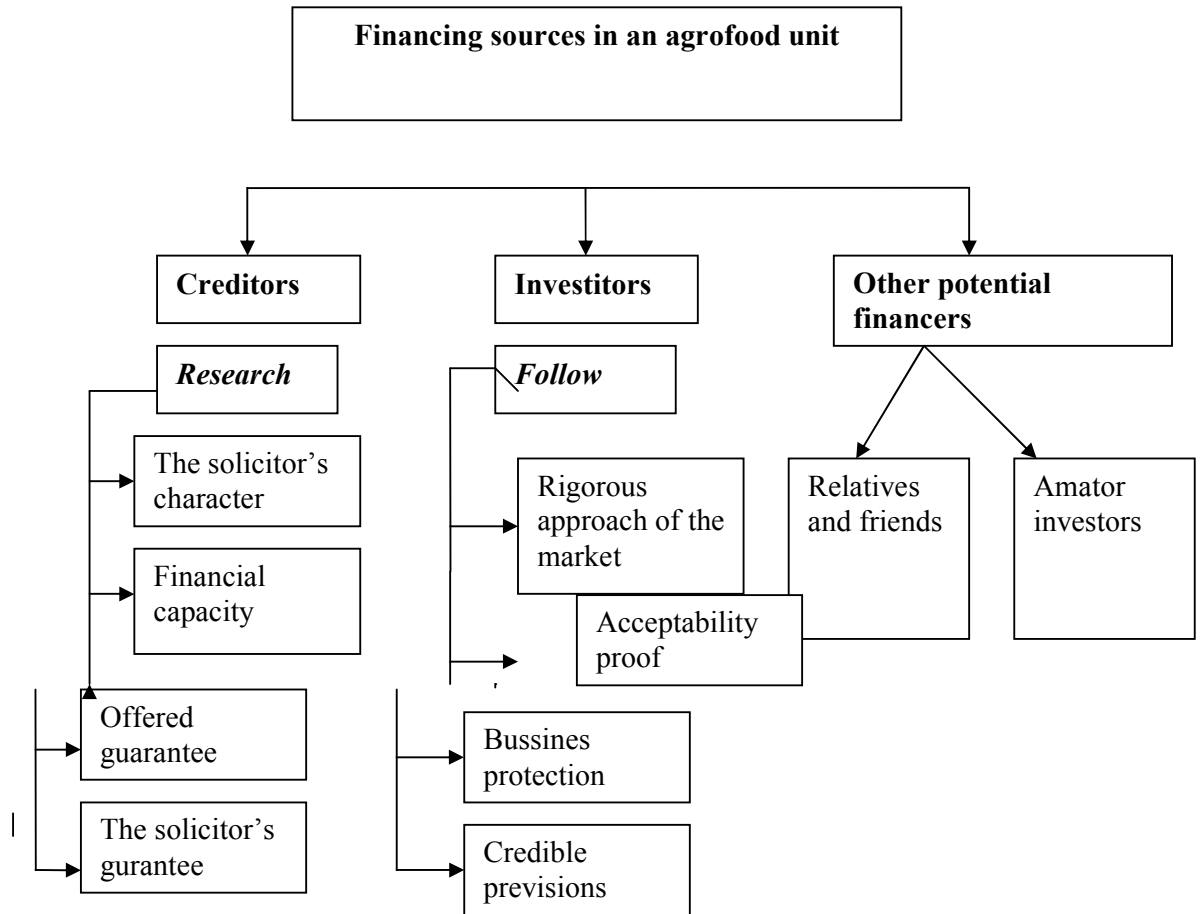


Fig. 1. Financing sources in an agrofood unit

RESULTS AND DISCUSSIONS

Creditors – the most frequent source of financing

In this category the commercial banks, the financial corporations and, generally, all those which gives credits for the business finance are included. From the bank's point of view an ideal debtor possess some essential features:

- For an available business - a cash flow insurable for reimbursing the loan;
- For a new business – an owner which possesses a successful experience in the same sort of activity;
- An owner with financial results and enough guarantees for being able to cope with unexpected problems that could affect the business.

At the time when an agro-food unit requires a credit for the business's upholding, the bankers are following carefully 4 essential aspects:

1. The applicant's character –the bank's trust and security that the debtor will not vanish when the business will face difficulties is the main concern. The creditor will notice the applicant's specific feature, as well as the frankness, the managerial abilities, the inspired trust for taking a decision about the business's financing.
2. The finance capacity refers to the business possibility to pay on time its obligations to the bank.
3. The offered guarantee. This involves the assurance of recovering the amount paid in advance and the cohered interest through the handsel right or mortgage on the real estate or the equipments. The equipments, the buildings, the lands and the vehicles are used as guarantees, because of the considerable value and the abilities to maintain this value for a longer period of time.
4. The applicant's contribution. The banks desire that the enterprisers to have a sufficient degree of financial involvement in the business for which they desire the obtaining of the credit. This is to make sure that they are strongly tied of the company's success and thus of the financing's success, while the exposure to the risk is shared between creditors and enterprisers.

Investors – main financing source for developing businesses

The investor's category includes the individual investors the institutional ones, investment funds and other economic organisms that finance the investments. Investors are drawn by a business, first of all because of the profit they hope to achieve and second because of the predicted growth of the business. They represent that category of investors that need to find out that the business will record a growth and future consistent profits.

The potential investors concentrate their attention on the following aspects:

The compelling approach of the market makes sure that the enterpriser has identified the demands of the potential clients.

The proof of the product's/service's acceptability- the enterprisers have to prove that they know to whom and how they will be selling the products and that they have the necessary instruments to realize this product.

The protection offered by the property rights. The investment risk may be reduced if the enterpriser owns the property rights under the form of licenses, patents, registered trademarks.

Credibility provisions are a weapon of carefulness and sincerity in the contact that the solicitor will be having with the potential investor.

Investment Funds

A special category of investors is represented by the risk investors. The risk investors mainly follow two aspects:

- Efficiency of 25-45% or higher
- Investments to become liquid in a relatively short period of time;

The financier's benefit

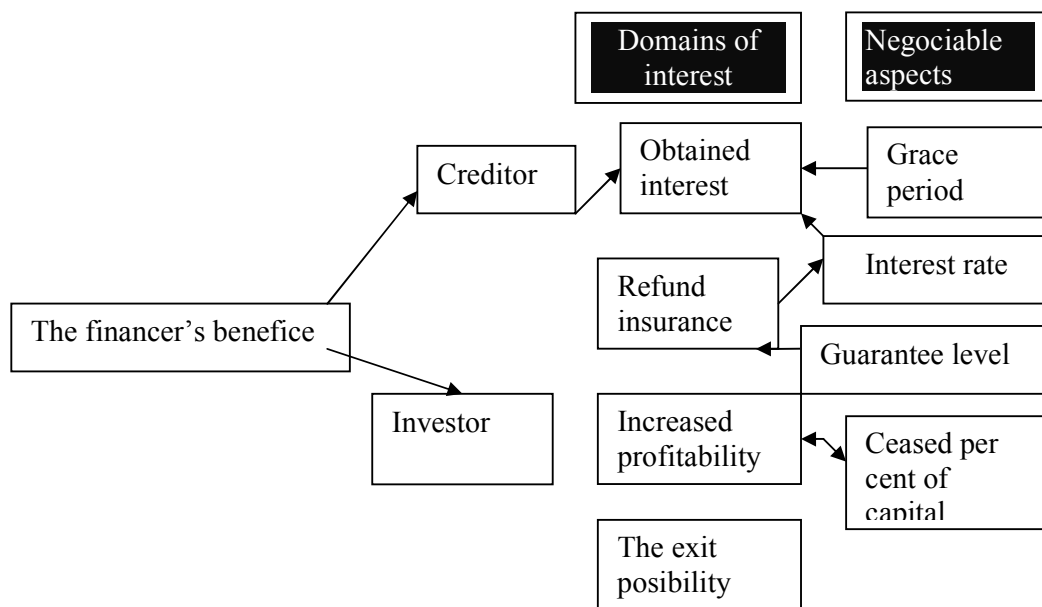


Fig.2. Interest domains of the financier and the negotiable aspects of financing

CONCLUSIONS

For the financing's approval, investors put a considerable accent on the next four factors:

1. The enterpriser's quality-experience and the competence of the person that is starting the business
2. a well balanced and performance managerial team
3. special character - the continuous search of businesses that don't have any competition and cannot be easily imitated
4. exit- a clear road in that which concerns the possibility of abandoning the business stimulates the investment decision

In conclusion, for each potential source of financing an individual approach strategy must be found, adapted to the source's characteristics and also to the available information. No one can have the guarantee to find the right financing sources, but the enterpriser, through its qualities, must find the right way to the best source at one certain moment.

REFERENCES

- [1]. [1].Allaire, Y, M. Farsitoru, 2009, Strategic management - the strategies of success. Economica Publishing House, Bucharest, p. 220
- [2].Botezat E., 2006, *Management strategies in agrofood companies*. Economica Publishing House, Bucharest, p. 178
- [3].Margulescu D., C. Staneascu, I. David, 2010, Economic and financial analysis. OscarPrint Publishing House, Bucharest, p. 64
- [4].POROJAN D., C. BIŞA, 2002, *The Business Plan*. IRECSON Publishing House, Bucharest, p. 23-25
- [5]. RISCHARD, H.P.M., F.H. GERLACH, 1997, *The Business Plan*. Expert Publishing House, Bucharest, p.46-48
- [6]. RISCHARD, H.P.M., F.H. GERLACH– 1998, *Credit Analysis*. Expert Publishing House, Bucharest, p.32-34
- [7]. SÂNDULESCU I., 1999, *The Business Plan*. Practical Guide. ALL BECK Publishing House. Bucharest, p.55-58

