

ASPECTS REGARDING THE FINANCING OF SMEs BY THE ROMANIAN BANKING SYSTEM

Agănenței Maria Adriana, Venter Gabriela, Pîrvulescu Luminița, Sîrbulescu Claudia*

*Banat's University of Agricultural Sciences and Veterinary Medicine "King Michael I of Romania" from Timisoara, Faculty of Management and Rural Tourism, 119, Calea Aradului, Timisoara, Romania

*Corresponding author's e-mail: claudiasirbulescu@usab-tm.ro

Abstract

This paper describes the main banking products on SME financing and their characteristics, offered by banks identified after studying the information obtained from banks' websites. Small and medium-sized enterprises (SMEs) are considered to be the backbone of the economy of paramount importance, as they generate more than half of the added value in the economy and create jobs for a significant number of Romania's workforce.

SMEs in the local economy were having trouble accessing finance. SME financing by the banking system requires a lot of interaction with the bank's consultants and a lot of documentation from them for the bank to understand the business itself.

Improved access to finance is one of the priorities of the European Union's economic and financial policies for small and medium-sized enterprises (SMEs). Romania is in line with these economic policies to increase the financing capacity of enterprises.

The article aims to show that banks understand that SMEs need long-term support.

The research methods consisted in the study of a bibliography from the specialized literature, of the information obtained from the banks' websites, the documentary analysis, the classification, the comparative analysis.

Key words: bank loans, financing, small and medium enterprises

INTRODUCTION

Access to finance for SMEs is a priority for Romania given their potential to create jobs, contribute to innovation and ensure economic growth. (Stănescu, Nedelescu, 2010)

The motivation for choosing the theme was determined by the interest in the continuous evolution of the banking system that offers its customers a wide range of products. To the development of the products is added that of the conditions for granting loans at national and global level by the bank.

To meet the expectations of SMEs, a major problem is insufficient funding, reluctance of banking institutions or private equity investors to meet their requirements. Banks focus on "creating value in terms of accepted and controlled risk." (Badulescu, 2010)

It is difficult for SMEs to develop without loans from Romanian banking institutions.

Romanian SMEs are financed by commercial loans and also resort to informal sources of financing (Chisulescu, 2018)

Lending by commercial banks to SMEs involves taking risks and even financial losses. With this perception, banks are often reluctant to lend to support SMEs. (Mitu, 2020)

Romania, as well as the EU, has the primary objective of increasing the financing capacity of SMEs. This increase will be ensured by a diversification of financing sources, because the bank financing cannot ensure the capital needs requested by the local enterprises. One of the segments of SMEs that deserves attention is the one consisting of innovative layer-ups and spin-offs, which are in the early stages of development. (Miller, Pulsinelli, 1989)

MATERIAL AND METHOD

The authors of the paper aim to present some options for financing and lending to SMEs.

As a method to achieve the objective of the paper, we presented the lending options offered by four Romanian banks and the opportunities they offer to SMEs.

The banks whose financing options have been studied for this article are: ()

- Raiffeisen Bank;
- Romanian Commercial Bank;
- Romanian Development Bank;
- CEC Bank.

Raiffeisen Bank is one of the leading financial institutions in the Romanian banking market, promoting values such as integrity, learning, collaboration with respect and passion in supporting important projects. Over time he has shown a real involvement in the Romanian community by supporting various volunteer projects, integration into society (A job a chance in the future - a project developed in collaboration with the Princess Margaret Foundation for the benefit of disadvantaged young people), by offering Raiffeisen community grants and so on One of the objectives of sustainable development assumed is that of quality education, with a clear aim to actively participate in the process of stimulating the growth of the number of young people and adults who have technical and professional skills.

BCR is one of the important financial players in the Romanian banking market. It is one of those financial institutions that really supports

social responsibility programs with the help of strategies aligned with the needs of the community. BCR comes in support of education with multiple programs and as a direct partner in the development of education and in support of culture. The Youth Capital is one of the brand events, with a tradition initiated in Timișoara, which clearly demonstrates the investments and support provided by BCR, together with the Business School and the strategies formed in the projects dedicated to local development for young people.

BRD is one of the top financial institutions on the Romanian market. Over time, it has demonstrated a real involvement in the field of education, strongly supporting innovation in education, technological development and research, supporting young people as key players in shaping a better future for society. Mind Craft Development HUB BRD and MindCraft Stories are just two examples of this involvement and direct support of top Romanian education, along with many other special projects carried out for the benefit of the community and the development of intelligence.

CEC Bank is a competitive banking institution that offers diversified products and services to clients, offering financing to local public administrations, SMEs, agriculture, but also to projects that by their nature, help to develop the economy, create and maintain jobs.

For the purpose of this article, the data used were taken from the sites of the banks specified, analyzed and compared, to which were added other information collected from economic sites and used in this study.

RESULTS AND DISCUSSION

Through their activity, the banks totally influence the contemporary economic life. Today we can say that in all areas of economic and social life, banking has made its mark. (Nedelescu, Stănescu, 2012)

The granting of a loan must benefit both the bank, in the form of an additional profit due to the diversification of the bank loan, and the client, who through loans can expand his business, obtain a result that will allow him to repay the loan and pay interest.

The loan (Tobes, 2018) represents that monetary relationship established between the lender granting the loan and the borrower who benefits from the loan or who buys the claim, the loans granted.

The banks analyzed (Table 1) finance current activities and investments.

Romanian Commercial Bank (BCR) finances current activities by making available to customers the following banking products: Overdraft, Line of Credit and Credit per object for financing the current activity (Table 1).

Overdraft, Line of credit are revolving type credit products, with the possibility of withdrawals but also multiple repayments, at any time during the entire credit period, within the limit of an available ceiling.

The characteristics of these products are:

- can be granted in lei / currency (EUR / USD).
- financing the current activities according to the client's needs.
- the refund can be made daily, with the possibility of reusing the amounts that have been refunded.
- maximum 12 months credit period, having the possibility to extend.
- the maturity is set on the last day of the credit period, and the repayment rate is unique.

The credit per object for the financing of the current activity is characterized by:

- The destination is for the procurement of raw materials and / or production materials, the coverage of some expenses related to the current punctual activity.
- granted in lei / currency (EUR / USD)
- The ceiling is nonrevolving
- the use can be complete either by multiple draws or in installments until a date established on the basis of supporting documents.
- a maximum of 12 months is granted
- Refunds are made at the due date set according to a chart set with the bank.

The banking products made available to the clients by the Romanian Development Bank (BRD) for financing the current activity are:

Credit line and working capital granted for a maximum of 12 months or 24 months, taking into account the situation of the company, the minimum repayment of capital during the loan is not mandatory, but only monthly interest and commissions must be paid; minimum being RON 20,000 or maximum EUR 4,000 or EUR the maximum amount being RON 1,400,000 or EUR 300,000.

Authorized overdraft is granted by a VISA or MASTERCARD business card, for a maximum of 12 months, the interest and commissions are paid monthly, the capital is reimbursed at maturity and the amount for financing is between RON 4,000 and RON 50,000.

The Business Credit Card is used when you do not want to use your own funds for the current needs of the company.

Contract credit is used to pre-finance a commercial contract for the purpose of financing expenses (supply, production, sales) under the commercial contract.

The letter of bank guarantee is granted for auctions, for execution and performance, for the refund of the advance, for good payment, etc.

Raiffeisen Bank offers the following products:

The working capital loan is granted for a maximum of 60 months, in the amount of a minimum of 7,000 Euro or equivalent in Lei, the currency is lei or Euro, it is used once and is reimbursed in equal installments,

The credit for the working capital in agriculture can be used 6 months after the grant, the amount amounting to a minimum of 7,000 Euro (credit granted exclusively in Lei), can be repaid in a maximum of 18 months, and can be renewed.

BIO credit for farmers is granted for agricultural crops (corn, wheat, barley, oats, soybeans), for at least 80 hectares of land.

Credit line - Overdraft SME, is granted in lei or euro, for a minimum amount of 7,000 Euro / Lei and a maximum of 30% of the company's turnover, for the last financial year ended and the 12-month repayment period, with the possibility of prolonged.

Flexi Credit for SMEs is granted in lei or foreign currency, for a maximum of 120 months, the minimum amount being 20,000 Lei.

Credit Flexi Profesii Liberale, is granted for a maximum of 120 months, a minimum amount of 2,000 Euros or the equivalent in Lei, lei or foreign currency.

CEC Bank offers its clients the following financing products for the current activity:

The credit line for the current activity is granted in lei, euro or usd, for a maximum of two years, with the possibility of extension for a similar period, the maximum amount being 30% of the turnover from the last 12 months.

The credit for the current activity is obtained for the maximum amount of up to 50% of the turnover of the past year, with a grace period of up to 12 months.

Table 1

Financing current activities	
Bank	Banking product
BCR	Overdraft
	Credit line
	Credit per object for financing the current activity
	Financial investment loans
BRD	Credit line
	Working capital
	Authorized overdraft
	Credit card
	Contract credit
	Letters of bank guarantee
Raiffeisen Bank	Working capital loan

	Credit for working capital in agriculture
	BIO credit for farmers
	Credit line - Overdraft IMM
	Factoring for IMM
	Financing of agricultural subsidies – APIA
	Flexi Credit for IMM
	Credit Flexi Liberal Professions
CEC Bank	Credit line for current business
	Credit for current business

Sources: www.bcr.ro, www.brd.ro, www.raiffeisen.ro, www.cec.ro

Loans for financial investments complement own resources when they are not sufficient to carry out investment plans. The credit products for financing the investments are presented in table 2.

The credit products for financing the investments offered by BCR are:

Investment loan / mortgage allows financing / refinancing of expenses for investment projects, granted in lei or foreign currency. Credit for financing the VAT related to the investments used to cover the expenses with VAT related to the financed investments, the granting period is according to the plan for the realization of the investment.

BRD offers the simple loan that covers the company's own resources. It is granted for a maximum of 36-60 months for non-mortgage loans and a maximum of 60-120 months for mortgage loans. The amounts are between 20,000 and 150,000 RON for non-mortgage loans and 20,000 and 450,000 RON for mortgage loans. Equipment investment loans are granted for a maximum period of 84 months, the amount is between RON 20,000 and RON 1,400,000 and a grace period of maximum 3 months is granted. Financial investment loans are granted for a period of maximum 120 months or maximum 240 months, the amounts are between 50,000 RON / 10,000 EUR and 1,400,000 RON / 300,000 EUR.

Table 2

Investment financing	
Bank	Banking product
BCR	Investment loan / mortgage
	Credit for financing VAT related to investments
BRD	Simple credit
	Equipment investment loans
	Financial investment loans
Raiffeisen Bank	Green loans for the purchase of photovoltaic panels
	SME investment loan
	Investment loan for agriculture
	Investment Credit Liberal Professions
CEC Bank	EIB loans for photovoltaic panels and other green investments

Sources: www.bcr.ro, www.brd.ro, www.raiffeisen.ro, www.cec.ro

Raiffeisen Bank finances SMEs by offering the following banking products:

Green loans for the purchase of photovoltaic panels are granted to companies with a turnover of up to 5 million Euros, for amounts between 7,000 EUR (or RON equivalent) and 100,000 Euros for unsecured loans and over 100,000 Euros for guaranteed loans, the grant period is maximum 120 months.

The SME investment loan is granted in Lei / Euro, the minimum amount is 7,000 Euro or the equivalent in Lei, for a maximum period of 120 months.

The investment credit for agriculture is granted to support investments in agriculture, being obtained by companies with a turnover of up to 5 million Euros, having a minimum of 100 hectares of agricultural land, and the minimum amount is 7,000 Euros.

The Liberal Professions investment loan is granted to companies with a turnover of up to 5 million Euros, in lei or euros, for a maximum of 180 months, starting from 2,000 Euros.

The EIB loan for photovoltaic panels and other green investments offered by CEC Bank can be obtained for the financing of photovoltaic panels, thermal rehabilitation and electric and hybrid vehicles. It is granted in lei, for 85% of the investment, without VAT, the maximum amount is 699,000 lei, for a period between 2 years and 10 years.

The SME Invest program, a government program, provides assistance to small and medium-sized enterprises in Romania to provide working capital and investments today. In other words, access is guaranteed by state-guaranteed financing, for carrying out current activities (table 3) or for investments (table 4).

Table 3

SME Invest loans for current activity	
Bank	Banking product
Raiffeisen Bank	Working capital loans
	Investment loans
CEC Bank	Loans for micro-enterprises
	Loans for small businesses
	Investment loans SME INVEST

Sources: www.raiffeisen.ro, www.cec.ro

Raiffeisen Bank grants loans to SMEs Invest for the current activity in the form of the Line of credit / term credit for the current activity.

Eligible SMEs are those under 5 million euros and can access loans for working capital for amounts up to 1,000,000 lei and loans for investments up to 10,000,000 lei.

CEC Bank offers: Loans for micro-enterprises, Loans for small enterprises, Loans for investments SME Invest.

Loans for micro-enterprises are granted for a period of 36 months and a maximum amount of 500,000 lei. Loans for small enterprises are obtained for a period of 36 months and a maximum amount of 1,000,000 lei. Loans for investments SME Invest are worth a maximum of 5,000,000 lei, for 36 months.

Table 4

Investment loans SME Invest	
Bank	Banking product
Raiffeisen Bank	Term loan for investments, with grace period
CEC Bank	Loans for medium / medium capitalized enterprises

Sources: www.raiffeisen.ro, www.cec.ro

Raiffeisen Bank makes available to customers the term loan for investments, with the grace period that finances the purchase of equipment, machinery, other fixed assets, purchase / arrangement of real estate / other types of investments and investment projects

Loans for medium / medium capitalization enterprises offered by CEC Bank amount to a maximum of 10,000,000 lei, for a loan duration of 72 months.

CONCLUSIONS

In this paper we have analyzed the banking products regarding the financing of SMEs and the credits within the SME Invest program that cannot be used for the realization of the projects financed from the state aid or from the European funds.

The SME INVEST ROMANIA program is the government's aid to the health and economic crisis, due to the COVID-19 pandemic meant to support the entrepreneurial environment and to facilitate the access of SMEs to financing.

The empirical study will continue with other analyzes regarding the financing of SMEs in Romania.

In conclusion, it is important to have a diversified banking market, both in terms of supply and in terms of lending techniques.

REFERENCES

1. Bădulescu D., 2010, Finanțarea IMM-urilor: dimensiunile nevoii și răspunsurile diferitelor structuri de creditare, *Economie teoretică și aplicată*, XVII, no. 7 (548), pp. 22-35
2. Chisulescu B. S., 2018, Analiza accesului IMM-urilor la finanare, *Revista Română de Statistică - Supliment*, 11, pp.28-37
3. Mitu A., 2020, Credite și creditare pe piața bancară. Tendințe și provocări, Editura Centrului de Informare și Documentare Economică, București
4. Miller, R., Pulsinelli, R.W., 1989, *Modern Money and Banking*, Editura Mc Graw, New Graw, New York
5. Nedelescu, M., Stănescu, Cristina, 2012, *Produse și servicii bancare*, Editura Universitară, București
6. Tobes F., Meila E. D., Sîrbulescu C., 2018, Study regarding credit granting to nongovernmental clients from the West Region by the banking system, *Lucrări Științifice, Management Agricol*, XX (3), 271-278
7. Stănescu, Cristina, Nedelescu, M., 2010, Developments in the Romanian Banking System, *Romanian Economic Business Review*, 5(4-1), 97-103
8. ***, <https://ec.europa.eu>
9. ***, <https://www.fngcimm.ro/imm-invest>
10. ***, <https://www.zf.ro>
11. ***, <https://www.revistadestatistica.ro>
12. ***, <https://economie.hotnews.ro>
13. ***, <http://www.arb.ro>.
14. ***, <http://www.economice.ro>.
15. ***, <http://www.bnro.ro>
16. ***, <https://www.bcr.ro>
17. ***, <https://www.brd.ro>
18. ***, <https://www.banknews.ro>
19. ***, <https://www.raiffeisen.ro>
20. ***, <https://www.cec.ro>

