

ANALYSIS OF FORMS OF EXOGENOUS FINANCING ACCESSED BY ROMANIAN COMPANIES

Anisoara APETRI

Stefan cel Mare University of Suceava, 720229, Romania
anisoara.apetri@usm.ro

Abstract

Access to funding sources is becoming increasingly difficult as companies seek to identify and choose the most advantageous financing options in the midst of multiple crises. This paper focuses on the importance of exogenous financing sources and the role of the financial system in ensuring long-term economic growth. Following the scientific research carried out, it was found that the main source of exogenous financing for Romanian firms is bank credit. As for leasing, it has developed a lot recently, ranking second after bank loans in the top preferences of Romanian firms. In the context of the globalisation of the world economy and the development of capital markets, exogenous financing through factoring operations is another financing method preferred by more and more firms.

Keywords: *exogenous financing; bank credit; binding credit; factoring; multiple crises*

JEL Classification: M40, F65, G21

I. INTRODUCTION

The issue of company financing is of great importance in the current context marked by various crises, crises that are real challenges for the conduct of business and that force companies to identify and access various sources of financing of activities to save themselves and avoid insolvency or bankruptcy. Given the diversity of financing methods available in a market economy and their advantages and disadvantages, the question of selecting the most effective sources arises in practice.

The main objective is to identify and analyse the methods of exogenous financing of firms' activities, the analysis being carried out at the Romanian level. In order to achieve the main objective, the specific objectives were to study the literature on the possibilities of financing the activity of firms, to characterize the financing methods identified after reviewing the literature and to carry out analyses on the main financing methods, namely credit, leasing and factoring.

The paper is structured in three parts, the first part investigates and details the main theoretical issues related to the forms of financing of firms as they emerge from the literature studied. In the second part we have carried out a macroeconomic analysis of the credit market, the factoring market and the leasing market. Thus, we used a qualitative approach by using the following research methods: analysis and synthesis of the literature; comparative analysis in order to highlight the differences between different periods; a quantitative approach aimed at using data to present the existing situation and systematisation for the production of graphs. The main results of the studies carried out were interpreted. The paper concludes with conclusions related to the analyses carried out according to the availability of statistical data.

II. LITERATURE REVIEW

Given the diversity of financing methods available in a market economy, and their advantages and disadvantages, the question arises in practice of selecting the most efficient sources and the optimal financing structure for the enterprise. A firm's financial structure also highlights the relationship between its short-term financing and its medium- and long-term financing (Nistor & Popescu, 2013). The choice of an optimal financial structure is fundamental for any enterprise, because it will directly determine the level of profitability and debt risk. The funding decision is based differently from firm to firm. The pecking order theory was developed by Myers and Majluf in 1984 and specifies that managers prefer to order the sources of financing for investments in fixed and current assets according to the principle of the lowest cost of raising capital (Stancu et al., 2015, p. 247):

1. Self-financing from depreciation and net profit (no explicit procurement costs);
2. Use of bank loans and bonds (with low procurement costs);

3. Issuing and selling new shares after the previous two sources have been exhausted.

Depending on the source of resources/capital, there are two types of funding: internal funding and external (exogenous) funding (see Table 1).

Table 1. Forms of funding

Internal financing	External (exogenous) funding
The following resources are used: <input type="checkbox"/> net profit or the part of net profit remaining after payment of dividends; <input type="checkbox"/> depreciation of fixed assets, <input type="checkbox"/> amounts from the sale of fixed assets that are no longer in use or from the sale of unused fixed assets; <input type="checkbox"/> other funds that can be assimilated to own funds.	It is the method of setting up and increasing the company's capital and consists of: <input type="checkbox"/> contributions in cash or in kind by shareholders; <input type="checkbox"/> contributions from the State, public authorities and specialised bodies; <input type="checkbox"/> the issue and sale of new shares; <input type="checkbox"/> the issue and sale of bonds, <input type="checkbox"/> taking out bank loans, <input type="checkbox"/> commercial credit, leasing <input type="checkbox"/> other similar operations (factoring).

Source: Author's elaboration

According to Treapăt (2020, p.71), the choice of funding sources is influenced by several factors, namely: the capital structure that the enterprise is seeking; the maturity of the funded assets which must be consistent with that of the source liabilities; the present and projected financial position of the enterprise; debt conditions (interest rate, restrictions imposed by creditors, availability of assets to be used as collateral); company's stock exchange listing.

In making funding decisions, firms must have rigorous criteria for choosing and combining these resources. Undoubtedly, the cost of financing is the main criterion in the choice of financing resources. In the financing decision, the main choice is between own and borrowed sources. The selection criterion is the cost of raising capital, aiming to reduce the average cost and increase the value of the enterprise (Stancu et al., 2015, p. 231). Although the issue of the cost of capital is extraordinarily important throughout the business world, it is not the object of study of this paper, the focus being on presenting the evolution of the methods of financing accessed by firms.

III. THE MAIN METHODS OF EXOGENOUS FINANCING OF FIRMS' ACTIVITY

Practice and financial theory show that there is quite a wide range of forms of financing. However, analysis in the current context shows that access to credit is made more difficult by monetary policies applied by central banks that aim to restrict access to credit. Firms are therefore looking for alternative financing solutions such as factoring, supplier credit and leasing. In the following, these financing methods will be summarised.

A. Bank lending - the basic way of financing from exogenous sources

In Romania, as in Europe, credit is of particular importance, playing an essential role in financing business and at the same time in increasing the welfare of the population by mobilizing capital availability and redistributing it according to the requirements of the economy (Mihalciuc & Apetri, 2019, p. 51; Vlada, 2015). The importance of credit in the economy is highlighted by its functions, namely: the distributive function, the function of transforming savings into investments, the function of monetary issuance, the function of ensuring price stability (Manea & Postolache, 2009, p. 6-10). The main types of loans granted to firms by commercial banks in Romania are summarised in the Table 2:

Table 2. Types of loans granted by commercial banks to firms

Type of credit	Characteristics
Medium and long-term bank credit	is an important source of finance for businesses and provides the borrower with a greater degree of security.
<i>Trade credit</i>	is granted by suppliers and arises as a result of the existence of agreements or contracts between business partners on delivery terms, payment terms and conditions..
<i>Short-term bank credit</i>	Short-term loans are used to supplement own and borrowed funds in line with temporary fluctuations in the need for financing during the operating cycle. Depending on their size and creditworthiness, enterprises may request several types of short-term credit: bank credit lines (treasury loans), collateralised loans (bills of exchange, promissory notes and cheques), non-bank loans (from shareholders, associates, etc.), factoring loans, etc.

Source: Author's elaboration based on data provided by Stancu, 2015, p. 235

B. Binding credit - alternative exogenous financing for firms

In Leoveanu's view (2008, p.34), bonded credit is a form of credit in which there is a relationship between, on the one hand, state authorities or enterprises, as debtors issuing bonds and, on the other hand, bondholders, individuals or legal entities, as creditors who cede their capital in order to obtain secure and fixed income.

Bonds are issued by public subscription and the company is obliged to publish an issue prospectus containing information on: equity capital, the company's general assets, the amount of the loan, the number of bonds issued, the nominal value, the redemption value, the duration of the loan, the interest rate and the redemption maturity. As bond issuers vary widely, from governments to corporations, rating agencies play an important role in providing investors with information on the redeemability of bonds.

C. Factoring - an effective way of financing companies

Factoring is a business financing technique whereby a company, called an adherent, sells its uncollected invoices to a factor, who takes over their coverage for a commission proportional to the turnover (invoice value) (Turcu-Rus, 2010). Factoring has many advantages for its users: simplification of financial-accounting formalities, increasing the speed of circulation of funds in situations where the number of buyers is large and payment terms are longer than 30 days, providing consultancy services (informing suppliers before the transaction is concluded on the creditworthiness of customers), taking over suppliers' responsibilities for follow-up and settlement of invoices after the conclusion of transactions between seller and buyer assuming the risk of customer insolvency and currency risk, advantages in the form of rebates for supplies made and not granting them for the sale of finished products, etc (Cosmulese, 2018; see also Patronatelor Magazine).

Factoring is a reliable product for SMEs, with costs comparable to other financing products. The advantage of factoring, however, is that it does not require as long negotiation times as other products, ensuring timely amounts. For this reason, stakeholders in this sector need to promote this product and its benefits widely. Now, more than ever, in providing much-needed liquidity to businesses in times of global supply chain disruptions caused by the Covid-19 pandemic, online factoring and invoice trading on Internet-based platforms provides the financing entrepreneurs need for the continuous flow of cash essential to their business. Basically, the basic idea behind these mechanisms is to collect cash earlier than it is due on the date mentioned in the invoice (Branici, 2020).

We cannot refer to the concept of alternative financing via electronic platforms without mentioning reverse factoring, which is a form of online factoring that differs from traditional factoring in that the initiator of the process is the buyer, the debtor of the obligation to pay the value of the goods or services provided, and not their supplier.

A number of reports in recent years have collected statistical data confirming that the success rate of financing through invoice trading platforms remains high (Ziegler, 2018). In Europe, the UK remains the largest single invoice trading market. In the rest of Europe, statistics show an increase in the transaction value of invoice trading platforms between 2013 and 2018. In 2018, invoice trading services in Europe (excluding the UK), reached a total transaction value of USD 803 million.

Since 2018, Instant Factoring, the first Romanian Fintech invoice trading platform, has been operating nationwide and has developed the easiest and fastest invoice financing workflow in Romania. It mainly finances invoices up to 15,000 lei, for an average monthly fee of 3% of the total invoice amount [1].

D. Leasing an effective way of exogenous financing of companies

Leasing is a form of financing and is included in the category of medium-term loans. According to some authors, leasing is a special form of rental of real estate (or movable property) whereby the lessee (user) obtains benefits related to the use of the leased asset while the financing of its acquisition and the depreciation of the capital investment is done by the leasing company (lessor). The enterprise that leases the asset pays the leasing company a royalty (rent) that includes: the depreciation of the leased asset, the opportunity cost (interest) related to the funds advanced by the leasing company for the purchase of the asset and the profit margin of the leasing company (Stancu et al., 2015, p. 254). Table 3 shows the characteristics of the two forms of leasing in Romania.

Table 3. Characteristics of leasing forms

Operational (maintenance) leasing	Financial leasing
It is the operation whereby an enterprise can use a fixed asset over a period of time that is usually less than the life of the asset.	A commercial transaction is a form of financing of the asset in the tenant's use for the life of the rental object.
An important feature of this type of lease is that the lessee can terminate the contract provided that the landlord is given advance notice.	There is no possibility of premature cancellation of the rental.

The equipment or asset is not fully depreciated during the term of the lease, as the lease term is shorter than the life of the leased asset.	The closing of the contract involves: selecting the manufacturer or distributor; negotiating the price and terms of delivery; contacting a leasing company; concluding the sale-purchase contract and the leasing contract between the lessor and the user.
The cost of maintenance and insurance is included in the rent of the property.	Equipment is not maintained and insured.
	When the contract expires, the user can renew the lease or buy the asset.

Source: Author's elaboration based on data provided by Stancu et al., 2015, p. 235

Another form of leasing is sale and leaseback (Istrate, 2017) whereby an enterprise sells to a leasing company or another investor assets it owns at their market value and, at the same time, concludes a lease of those assets under the specific conditions of financial leasing.

IV. ANALYSIS OF THE FORMS OF EXOGENOUS FINANCING OF FIRMS IN ROMANIA

4.1. Analysis of exogenous financing of Romanian firms through bank lending

Most scientific research shows that for Romanian firms, the main source of exogenous financing of their activity is bank credit (Olteanu, 2014; Nedelescu & Stănescu, 2015; Marcu, 2021). The analysis of bank lending is important to understand the dynamics of lending in Romania and to identify trends associated with lending activity. Thus, the assessment of the volume of loans granted is carried out using the datasets published by the NBR in the Monthly Bulletins for the period 2019-2023. The paper analyses in particular the evolution of loans granted in Romania according to several criteria, such as: currency of granting, term of granting, sector of activity and risk assumed at the time of granting by credit institutions. Figure 1 shows the evolution and structure of loans granted to the banking sector in Romania by currency. Lending activity has shown a steady growth, showing a major difference between loans in foreign currency and loans in national currency (Apetri & Mihalciuc, 2018, pp.18-27). During the period under analysis, a permanent year-on-year increase in the total volume of loans granted can be observed, reaching the level of 604184 million lei in April 2023.

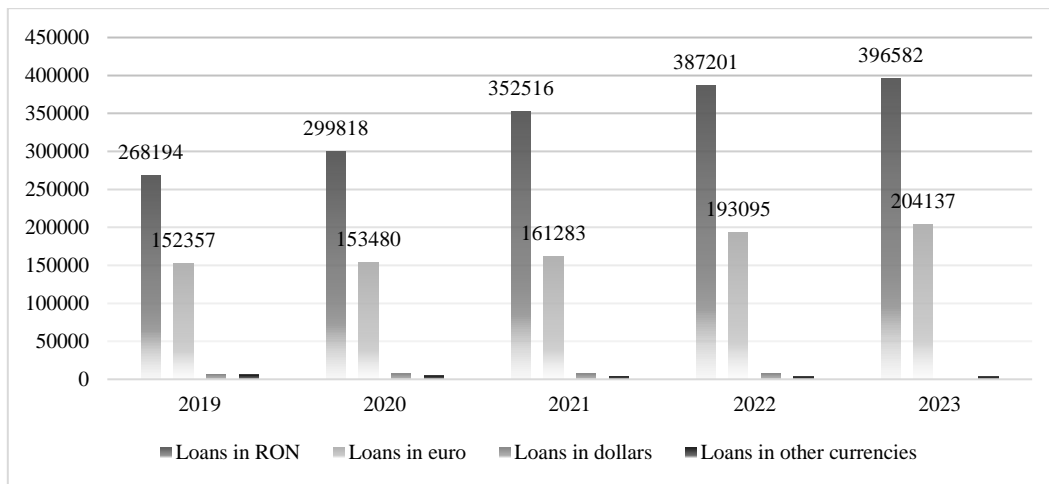


Figure 1. Evolution of loans by currency of grant

Source: compiled by the author on the basis of data available at <https://www.bnr.ro/Publicatii-periodice-204.aspx>

Analysing the data presented in the graph above, we note that in terms of currency, in recent years, loans granted to the private sector in Romania have been mostly denominated in lei. So, in general, loans in lei are the most widespread in Romania, as most income and expenditure is denominated in this currency. In addition, loans in lei have the advantage of being less exposed to exchange rate risk, which makes them more attractive to customers who want to avoid currency fluctuations. It can also be seen that both loans in national currency and loans in euro showed positive developments. Further, Table 4 shows the evolution of lending by sector of activity from 2019 to April 2023.

Table 4. Loans granted and commitments undertaken by credit institutions by sector of activity

Loans granted by sector of activity	2019	2020	2021	2022	2023
Industry	75494	78196	87508	106264	107226
Services	108476	119442	133989	150563	152796
Construction	29511	31281	36192	42665	43316
Agriculture, forestry and fish farming	18435	20701	23810	28225	28483
Financial intermediation and insurance activities	15067	16465	23649	29331	29248
Public administration	18318	21007	23312	26750	26802
Individuals	167907	178588	197179	207999	207824
Total loans	433208	465680	525639	591797	595695

Source: compiled by the author on the basis of data available at <https://www.bnrr.ro/Publicatii-periodice-204.aspx>

If we refer to the field of activity of the economic agents who contracted loans in 2023, we observe that the highest share is occupied by the services sector (25%), followed by industry with 18% and construction with 7%, while the lowest share is held by agriculture with 4.5% and financial intermediation and insurance activities (3.5%), as can be seen in Figure 2.

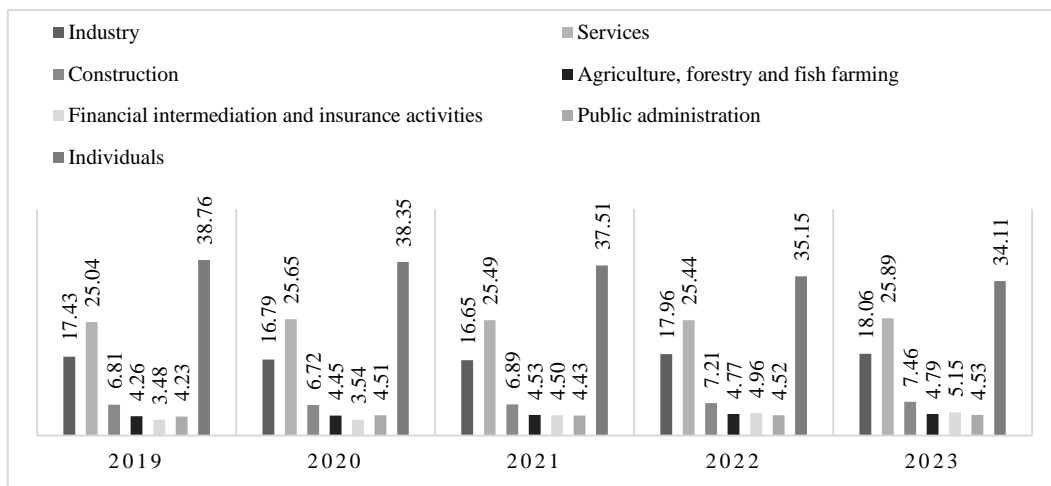


Figure 2. Evolution of loans by sector of activity

Source: prepared by the author on the basis of data available at <https://www.bnrr.ro/Publicatii-periodice-204.aspx>

The evolution of loans granted to companies by different types of activities for the period under analysis 2019 - Apr. 2023 shows that the highest growth is recorded in the services sector. It is also noted that loans for financial intermediation and insurance activities have increased from 3.48% to 5.15%, while loans for services have remained constant, and there is a slight increase in construction in 2023 compared to 2019 (see Table 5 and Figure 3).

Table 5. Loans granted and commitments assumed by credit institutions by type of risk assumed

Loans granted by type of risk taken by CIs	2019	2020	2021	2022	2023
Treasury loans	103856	113491	134329	159691	164223
Loans for financing stocks	4844	4327	4637	5668	5603
Equipment loans	67490	74376	84262	96627	96960
Loans for financing foreign trade operations	63	77	96	54	19
Trade receivables	6402	6279	2764	2791	2686
Mortgage loans	64338	71880	82533	88977	88919
Other loans for real estate investment	58159	60202	65897	69045	68999
Bonds	773	711	726	1039	769
Other loans granted to customers	28768	30353	34927	37320	37432
Commitments to debtors	38243	42743	50045	62934	62440
Consumer loans	60244	61284	65390	67619	67612
Installment sales	31	31	31	31	31
Total loans	433211	465754	525637	591796	595693

Source: compiled by the author on the basis of data available at <https://www.bnrr.ro/Publicatii-periodice-204.aspx>

From table 5, respectively graph 3, it can be seen that the most accessed types of loans are treasury loans followed by equipment loans and mortgage loans, which means that these types of loans carry a higher degree of risk.

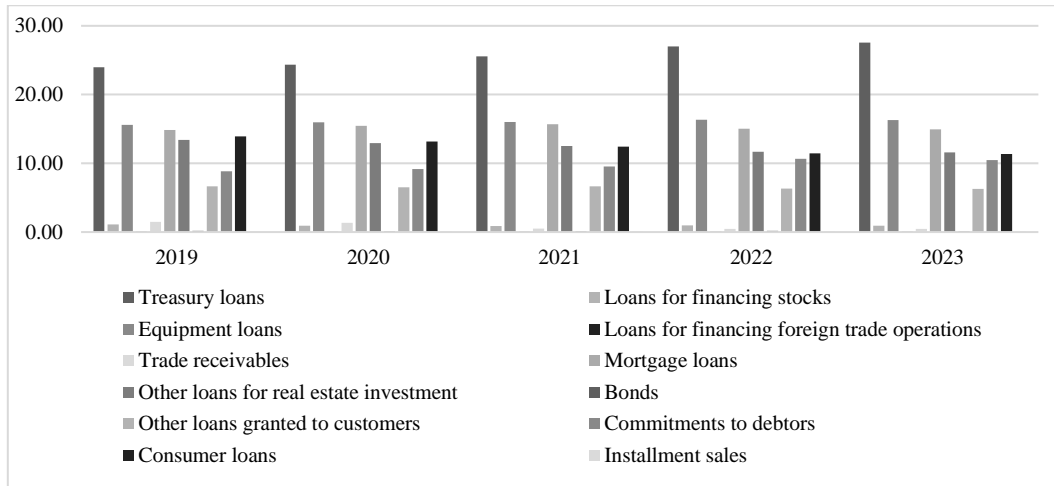


Figure 3. Evolution of loans according to the risk assumed

Source: prepared by the author on the basis of data available at <https://www.bnr.ro/Publicatii-periodice-204.aspx>

During the period under review, companies borrowed mainly to cover their liquidity needs for operating activities, with treasury loans accounting for 27.55% of total loans to enterprises. Businesses invested in the purchase of equipment (16.20%) and real estate (14%). Loans to finance foreign trade operations accounted for only 0.92% (see Figure 4).

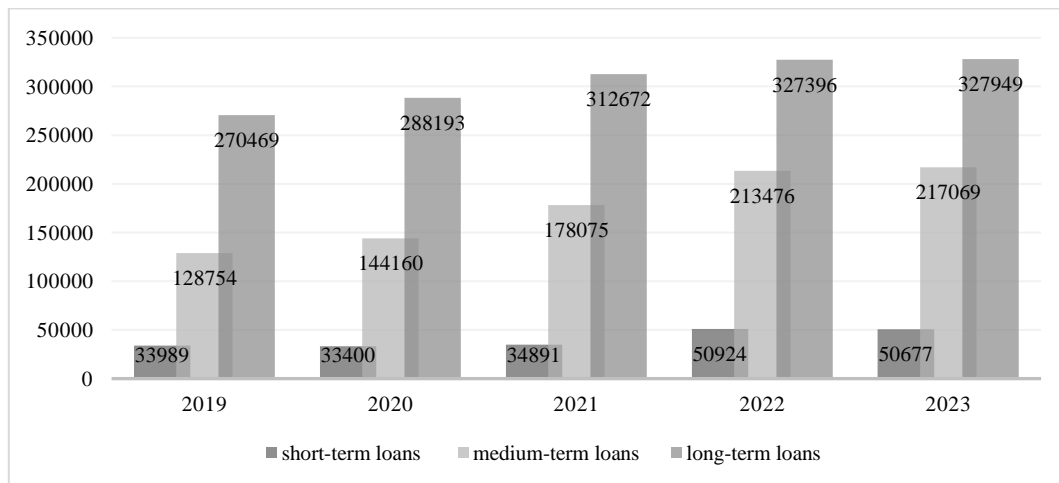


Figure 4. Evolution of loans by maturity

Source: prepared by the author on the basis of data available at <https://www.bnr.ro/Publicatii-periodice-204.aspx>

The analysis of the evolution of loans by maturity shows that the largest exposure of banks is long-term, with the value of loans granted accounting for 54.44% of total loans granted in 2023, down from 62.41% in 2019.

Some non-bank financial institutions NFIs can provide companies with several types of loans, such as consumer loans, loans for the purchase of cars or real estate, loans for business investments or loans to finance invoices. Based on data centralised on www.bnr.ro we have presented a development of these forms of financing in the period 2018-2023.

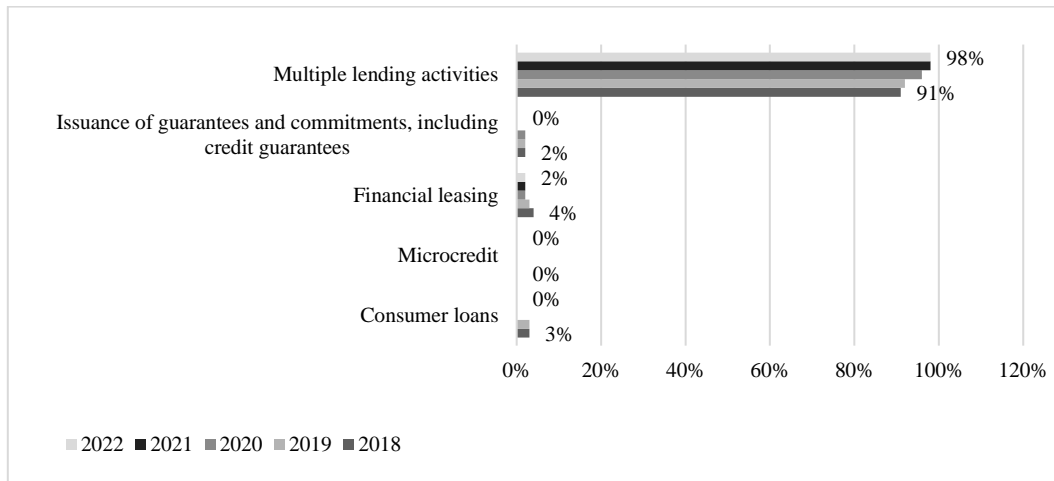


Figure 5. Structure of loans granted by NFIs

Source: prepared by the author based on data available at <https://www.bnr.ro/Publicatii-periodice-204.aspx>

Figure 5 shows the structure of loans granted by non-bank financial institutions. As we can see, the largest share of loans granted is given by the item called multiple lending activities, which is increasing throughout the period under analysis. The other categories, i.e. consumer credit, microcredit, financial leasing and issuing guarantees show low percentages.

4.2. Analysis of the financing of firms through leasing

The leasing market is made up of companies specialising in leasing operations whose main activity is "leasing". These companies can be registered with the National Bank of Romania (NBR) and they can also register with the Association of Leasing Companies in Romania (ASLR), the Association of Operational Leasing Companies in Romania (ASLO) or the Association of Financial Companies in Romania (ALB) (Apetri, & Mihaiuc, 2019, pp. 107-113).

Following the analysis of the leasing market, we found that in Romania the most used leasing is financial leasing, due to the options the user has and the content of the leasing rate.

The leasing market in Romania is constantly changing and depends on a multitude of factors, being influenced by the interdependence between markets. Using data provided by the reports produced by the Association of Financial Companies in Romania (ALB) [2], we conducted an analysis of the evolution of the leasing market in the last three years. The analysis took into account several criteria such as the structure of the leasing market according to the term of the loan, according to the object financed, but also according to the quality of the financing, highlighting the value of non-performing loans.

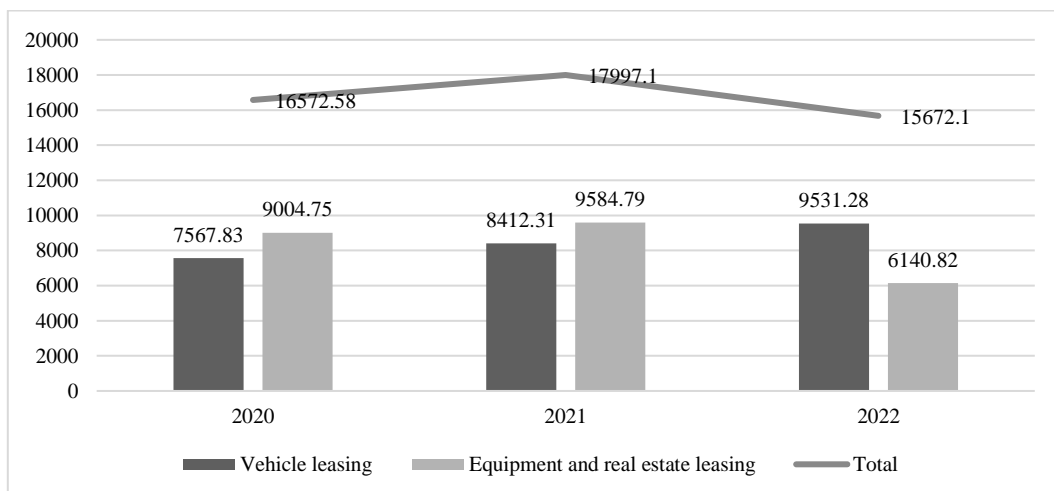


Figure 6. Evolution of the leasing market in Romania by categories of goods

Source: processing after: <https://alb-romania.ro/statistici/>

Figure 6 provides information on the weights of the values of the assets financed under leasing by the object financed. The financed objects are divided into two categories, namely vehicles, the first category, and equipment and real estate, the second category. Analysing the information presented in chart above can be seen that 2021 was also a good year for the leasing industry, being up 8.59% compared to the same period in 2020.

Although growth was robust in 2021, given the maturing of the leasing market, a slowdown in growth dynamics can be noted when comparing with previous years. Real estate equipment financing saw declines in 2022 compared to 2021, with vehicle financing gaining ground. In second place in 2022, financing for equipment is decreasing, a trend explained by the reduction in economic growth in Romania due to the overlapping crises.

This increase in leasing transactions has come about as a result of the increase in vehicle financing, with the leasing industry being positively influenced by the increase in demand for new vehicles, especially hybrid or electric vehicles.

In terms of the duration of the leasing contract, the period most desired by the Romanian lease beneficiaries is more than 3 years, followed by 1-3 years, as can be seen in Figure 7.

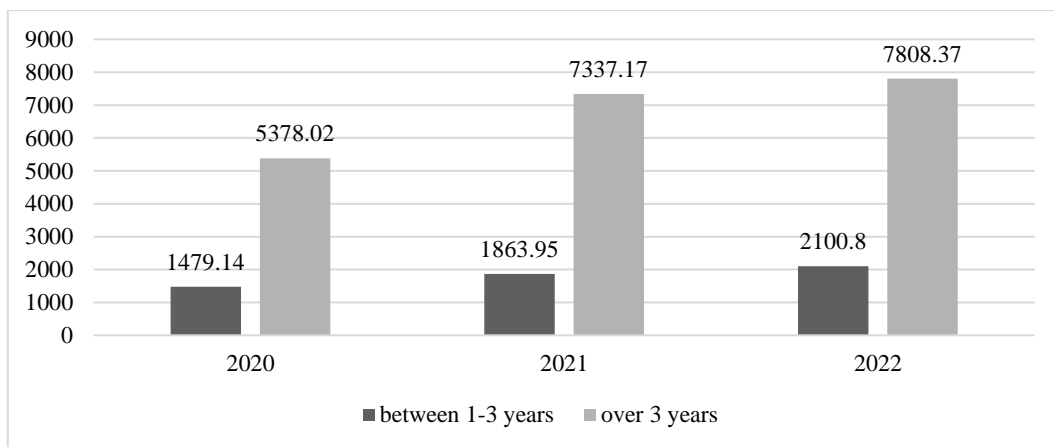


Figure 7. Romanian leasing market by contract duration

Source: processing after: <https://alb-romania.ro/statistici/>

Of the total gross exposure through lease financing, a portion is represented by the exposure related to non-performing loans. These have a decreasing value during the period under review, as can be seen in the graph below.

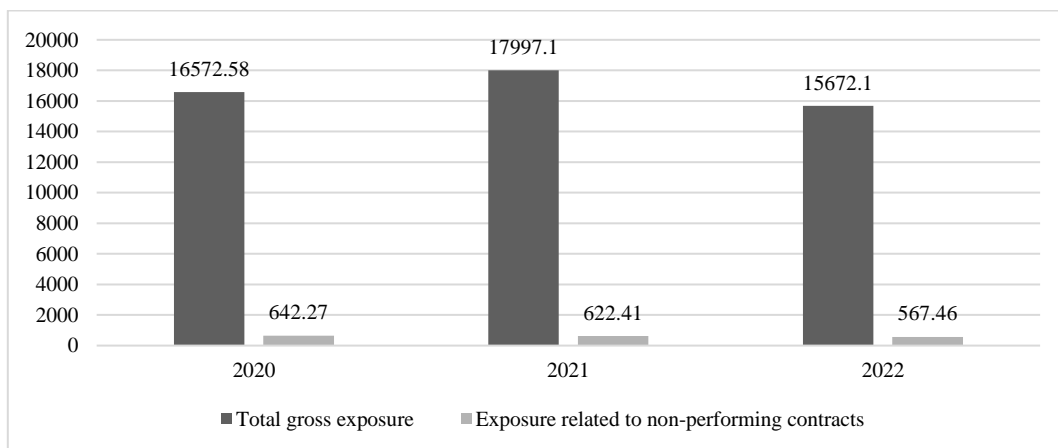


Figure 8. Evolution of non-performing contracts between 2020-2022

Source: processing after <https://alb-romania.ro/statistici/>

4.3. Analysis of the financing of firms through factoring

Companies active in the factoring industry serving the pool of clients and debtors globally was around 4 193 in 2021. Most of the clients are mainly SMEs almost 70% (66% in 2020 and 65% in 2019). In some countries, the importance of factoring as a primary source of finance is concentrated in certain industries. According to the FCI Marketing Committee Annual Review (2022), the industries where factoring is concentrated are:

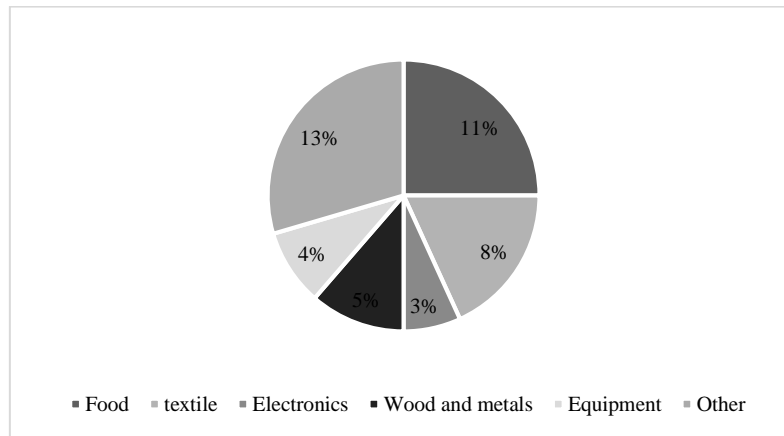


Figure 9. Factoring by sector in the year 2022

Source: Author's processing after FCI Marketing Committee Annual, 2022, p. 22

Internationally, both domestic and international forms of factoring are among the main sources of business financing in both developed and developing countries. There are large differences between the value volumes of factoring operations carried out in each of the world's countries (see Table 4 in the Annex 1). As we can see, the UK is the undisputed leader of the factoring market in the world with almost 376571 million euro turnover in this sector, a maximum reached in 2015, and in 2022 the volume of factoring operations in the UK will reach 328429 million euro, decreasing due to the current economic climate.

4.4. Factoring market in Romania

In Romania, factoring began to develop in 1993. At that time, factoring operations were carried out only through specialised divisions of banks existing on the Romanian market at that time. Since 2006, non-bank financial institutions (NFIs) specialized in factoring started to appear (Mihalciuc, 2018).

In recent years, in Romania, the volume of factoring operations has increased significantly, due to the fact that society, in the midst of an economic recession, is trying to find advantageous solutions to finance their activities (Cosmulese, 2018). The factoring market in Romania is currently in a continuous development (see Chart 10), being for the time being quite low, both in terms of volume, as well as in terms of companies providing such services, mainly due to the lack of experience and tradition of banking companies, legal regulations in the field, due to the restrictive conditions on access to this form of financing for small and medium-sized enterprises.

In 2022, the factoring market recorded a record increase of 30%, compared to the previous year, reaching a level of about 7.85 billion euros, of which domestic factoring operations accounted for 6.78 billion euros, an increase of 34% compared to 2021. This development, say the specialists, demonstrates the benefit of this product for the factoring client, by „reducing the average term of receipt of invoices, without the need for direct pressure on debtors” (Popescu, 2016).

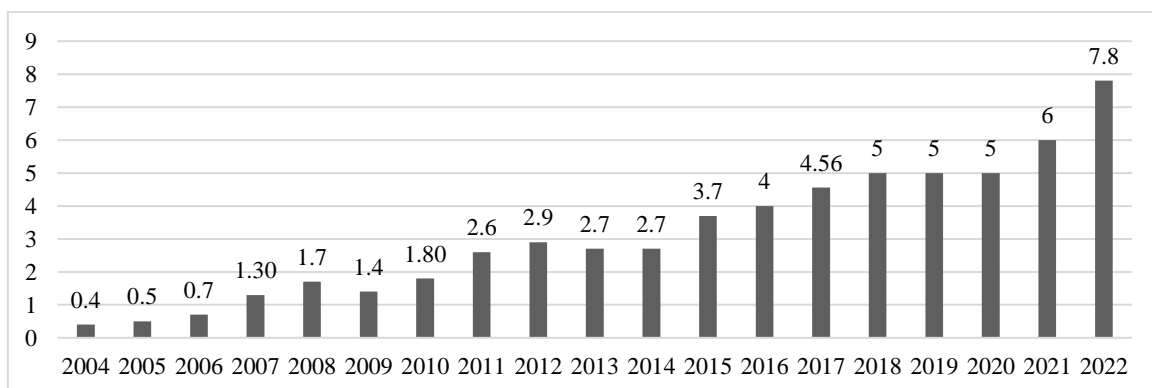


Figure 10. Global volume of factoring in Romania in the period 2004-2022 (mld euro)

Source: processing b: www.asciatiadefactoring.ro/statistics

According to the annual market survey conducted by the Romanian Factoring Association (ARF), in terms of turnover of companies that have accessed factoring financing, according to the annual market survey, the shares

remain almost relatively stable compared to 2021, so companies with a turnover of more than 50 million euro represent 41% of the total volume of claims transferred by factoring, according to the company, while companies with a figure between 5 and 50 million euro represent 35%. The rest of the volumes belong to companies with businesses under 5 million euros (Popescu, 2016).

In this respect, Bogdan Rosu, executive director at Next Capital Group, says that among the companies that have accessed financing through internal factoring and export in 2022, the largest volumes were carried out by those with a turnover of over 50 million euros (46%), and, while companies with turnover between 5 and 50 million euro had a share of 34%. Companies with a business level of less than 5 million euros fell to 19% of the volume of receivables transferred in factoring, compared to 22% last year. In his opinion, one of the reasons for this development could be to access, as an alternative to factoring, traditional financing solutions supported by governmental programs such as IMM Invest (Miscellanea, 2022).

The largest share in total is the volume of domestic factoring operations, which amounted to about 4 billion euros. The growth registered in Romania over the last decade shows us that Romanian economic agents are becoming more familiar with this sector and use it as a method of financing.

According to the information published by ARF, we have made a top of the areas that accessed internal factoring financing in 2022, from a value point of view (see Table 6):

Table 6. Top of the domains that accessed internal factoring financing in 2022

Domain	Value
FMCG – consumer goods:	1.2 Billion euros
Vehicles, machinery, equipment	866 Million euro
Electronics, information and telecommunications	847 Million euro
Metals, chemicals, water, recycling:	735 Million euro
Energy:	770 Million euro
Forestry, wood processing, construction	633 million euros
Agriculture, fishing, food	493 Million euro
Transportation and storage:	244. million euros
Pharmaceuticals, health and social assistance	185 Million euro

Source: developed by the author based on available data <https://asociatiadefactoring.ro/2023/03/16/crestere-record-de-30-a-pietei-de-factoring-in-2022-operatiunile-au-atins-7-85-miliarde-de-euro/>

Of the total receivables transferred to internal factoring, the largest contribution (46%) is from companies in the Bucharest-Ilfov area (3.36 billion euros). At the opposite pole are the companies from the North-East development area (2% of the total receivables transferred in domestic and export factoring structures), which are divested by factoring, receivables of 151 million euros.

At the level of commercial banks, the elements that could improve the image of factoring on the market would be to simplify the procedure for granting financing by reducing the number of documents necessary for the preparation of the financing file and the conclusion of the contract factoring, as well as speeding up the procedure of analyzing the documents submitted by the potential customers of the factor, the, so that they can dispose in the shortest possible time of the money means necessary for the continuous development of the production and sale activity.

V. RESULTS AND CONCLUSIONS

As a result of the scientific research, it was found that for the Romanian companies the main source of exogenous financing of their activity is bank lending. As regards leasing, lately it has developed a lot, ranking second, after bank lending, in the top of the preferences of Romanian companies.

In the context of the globalization of the world economy and the development of capital markets, exogenous financing through factoring operations is an efficient and preferred solution for more and more companies. In a market without liquidity, due to the increasingly difficult access to bank loans or other types of financing, the, factoring seems to be a handy and easy-to-apply method for those in urgent need of funding. This indicates that Romanian economic agents are becoming more familiar with this factoring sector and are using it as a form of financing. More and more entrepreneurs are realizing that factoring is an exogenous, short-term financing solution that is increasingly attractive for small and medium-sized companies.

In Romania, the factoring market is in continuous development, being, for the time being, quite low, both in terms of turnover volume, and, as well as from the point of view of the companies specialized in providing this type of financial services. The evolution of the Romanian market in recent years shows that factoring is a useful

instrument for financing and managing the receivables of companies, both in periods of economic growth and economic crisis.

I agree with the President of the Romanian Factoring Association - Red Bogdan who believes that given the current geopolitical situation, factoring remains one of the basic financing products used by companies from all fields of activity. In addition to the added value it brings in times of uncertainty, factoring has demonstrated its effectiveness as an alternative to standard short-term credit products, with significant increases in the last ten years. This shows that the market assimilated him and fully understood his benefits.

A viable alternative to exogenous financing of companies, in the medium and long term, is the binding loan. As already mentioned, this funding variant was not subject to analysis. As a future research direction, I think it is worth paying special attention to the analysis of how this type of credit is accessed and evolved by Romanian companies.

End Notes:

[1] *Instant Factoring is a Romanian start-up, awarded at the Central European Startup Awards 2018, as the best IT start-up in the financial field (Best Fintech Startup) in Central and Eastern Europe.*

[2] *ALB is a business community of the most representative non-bank financial institutions in Romania.*

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Appendix A. Global annual factoring volume by country 2015-2022 (million euro)

EUROPE	2015	2016	2017	2018	2019	2020	2021
Armenia	75	100	120	135	150	160	160
Austria	18264	19621	21091	24107	27220	26762	30459
Azerbaijan	13	56	65		112		112
Belarus	320	330	250	380	570	610	754
Belgium	61169	62846	69641	76340	84819	81716	99368
Bosnia and Herzegovina	-	-	-	-	91	50	69
Bulgaria	1820	1947	2919	3211	3532	3300	5100
Croatia	2885	2825	1340	1094	1140	1132	1230
Cyprus	2414	2925	2830	3585	3181	2940	3200
Czech Republic	5064	4848	6121	6778	7240	6990	9224
Denmark	12606	13237	14948	18637	18838	18695	21910
Estonia	2010	2495	2495	3600	3900	3900	3900
Finlanda	23095	22000	24000	25800	28000	28000	28000
Franța	248193	268160	290803	320409	349714	323567	364900
Georgia	14	14	25	28	137	152	185
Germania	209001	216878	232431	244300	275491	275000	309400
Grecia	12869	12782	13151	14635	15045	14430	17656
Ungaria	3779	3635	5730	6911	8550	8820	10671
Irlanda	25978	23952	26294	26294	28617	28617	28617
Italia	190488	208642	228421	247430	263364	234842	258350
Kosovo	-	-	-	-	-	30	30
Letonia	867	867	720	748	805	815	823
Lituania	3150	3100	3000	3660	3400	2700	3300
Luxembourg	339	339	339	339	339	339	339
Malta	275	275	350	554	696	696	696
Moldova	17	17	3	4	5	5	3
Olanda	65698	82848	89713	98368	112148	113758	131940
Macedonia de Nord	-	-	-	-	-	23	25
Norvegia	18476	21867	22682	25923	26441	25235	28105
Polonia	35020	39396	44300	56474	66141	62864	78950
Portugal	22921	24517	27008	31757	33800	31468	34487
România	3651	4037	4560	5007	4854	5023	5990
Rusia	23332	28004	33792	43840	45125	42302	68684
Serbia	445	555	603	650	883	930	1080
Slovenia	1036	1646	1646	2521	1032	1604	2263
Slovenia	329	1000	1200	1400	2000	1750	2000
Sleeping	115220	130656	146292	166391	185559	182264	199364
Suedia	26078	20481	20094	19882	20625	20625	21473
Elveția	3832	3832	3832	593	593	593	593
Turcia	39310	35085	34575	26894	21857	18966	15944
Ucraina	442	295	295	295	258	258	258
Marea Britanie	376571	326878	324260	320193	328966	272677	328429

Source: Elaborated by author after Annual Review FCI marketing Committee, 2022. Retrieved September 25, 2023 from: <https://fci.nl/en/media/29926/download>, p. 30-32.