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CURRENT ASPECTS REGARDING THE CREDITING OF MICRO-ENTERPRISES

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Abstract: *The IMM INVEST type of reimbursable financing is a top-up loan formula, materialized in the granting of bank loans granted to micro-enterprises under the national legislation applicable to investments and working capital. In order to benefit from this financing, the wishing companies must go through two stages: a pre-contractual stage in which the registration on the electronic platform created for this purpose takes place, in which the companies must prove that they fall into the category of micro-enterprises and the contractual stage. In order to meet the eligibility conditions in the contractual phase, micro-enterprises will be subject to the verification of administrative compliance and the techniques and methods for verifying financial soundness. Beneficiaries of such loans will benefit under the state aid scheme from various forms of government support materialized in supporting the costs of financing 100% from the state budget, until the end of 2020 with the possibility of extension, which will help them to re-launch itself from a financial and economic perspective.*

Keywords: bank credit, working capital, financing, investments, micro-enterprise.

1. Introduction

To counteract the effects of the COVID-19 crisis, the state aid scheme was launched through the IMM Invest Romania program, which addresses to small and medium-sized enterprises that have been significantly affected by this crisis. The program offers the possibility for small and medium enterprises to recover economically by accessing loans and lines of credit that are supported and guaranteed on behalf of the Romanian state by FNGCIMM. The financing aims at attracting liquidity in two directions: 1. for investments and 2. for working capital. Potential beneficiaries of the program are conditioned by the fulfillment of some obligatory criteria and eligibility conditions. The maximum guaranteed amount of the public aid scheme is in the amount of 15 billion lei. In order to be able to access the aid scheme, the representatives of small and medium enterprises in the first stage through representatives will register on the online platform created for this purpose and will upload on the website created for this purpose the following documents materialized in: IMM declaration completed and signed; copy of the registration certificate; copy of identity card. "In this way it will be proved the inclusion in the ceilings regarding the average annual number of employees, the net annual turnover and the total assets are established on the basis of a declaration on own responsibility of the legal representative (s) of the enterprise interested in employment. the category of small and medium-sized enterprises"[1].

2. Conceptual delimitations

We present for clarification the meanings of the terms used in the context of the state aid scheme derived from the methodological

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norms related to this scheme and from the specialized literature, in table 1:

Table 1 Theoretical concepts

No. Crt.	Name of theoretical concepts	Significance of theoretical concepts
1.	Financing agreement	Legal act, concluded between FNGCIMM as administrator of the scheme, credit institution and beneficiary of state aid, granting grants under the State Aid Scheme to support the activity of IMMs in the context of the economic crisis generated by the COVID-19 pandemic , approved by Government Emergency Ordinance no. 42/2020 on amending and supplementing the O.U.G. no. 110/2017 [5].
2.	Bank credit	Money resource that is transferred under a contract from a creditor (bank) to a debtor natural or legal person, for a certain period of time, against a price and which in relation to the contractual conditions must be returned.
3.	Bank loans for working capital	Financial resources granted by the bank for financing the needs of the current activity of the micro-enterprise in situations where the expenses exceed the level of receipts, materialized in the acquisition of stocks of raw materials, materials, for the payment of suppliers, etc.
4.	Investment loan	Financial resources granted by the bank for financing the needs of investments, refurbishment, equipment, endowment, modernization, development, acquisitions of equipment, means of transport, constructions, machinery, equipment, actions, etc.
5.	Guarantee agreement and payment of grants	Document signed between FNGCIMM, as agent of the MFP, and financier, setting out the terms and conditions applicable to state guarantees [5].
6.	Convention on the Implementation of the Program	Framework document, provided in art. 8 para. (1) of the Government Emergency Ordinance no. 110/2017, as subsequently amended and supplemented, concluded between MFP and FNGCIMM, which mainly includes the terms and conditions of the mandate granted to FNGCIMM and clauses on their rights and obligations regarding the granting, monitoring, reporting and execution of guarantees granted under the Program. The model of the Convention on the implementation of the Program is approved by order of the Minister of Public Finance [5].
7.	**Eligible**	Which meets all the conditions to be elected [6].
8.	**Interest rate**	The price of credit.
9.	**Financing**	The action of allocating, allocating funds to an enterprise, institution, etc. 2. to borrow money (someone); to subsidize. (<fr. financer) [6]. The act of supporting or lending money to an enterprise or a person.
10.	Medium-sized enterprises	The beneficiaries of the program that fall within the provisions of art. 3 of the Government Emergency Ordinance no. 110/2017, with subsequent amendments and completions, and complies with the conditions provided in art. 4 para. (1) lit. c) of Law no. 346/2004, with subsequent amendments and completions [5].
11.	**Micro-enterprise**	A Romanian legal entity that cumulatively meets the following conditions, as of December 31, 2018: - realized incomes that did not exceed the equivalent in lei of 1,000,000 euros. The exchange rate for determining the euro equivalent shall be that at the end of the financial year in which the revenue was recorded; - its share capital is held by persons other than the state and the administrative-territorial units; - is not in dissolution, followed by liquidation, registered in the trade register or in the courts, according to the law [2].

12.	Micro-enterprises and small businesses	The beneficiaries of the program that fall within the provisions of art. 3 of the Government Emergency Ordinance no. 110/2017, with subsequent amendments and completions, and complies with the conditions provided in art. 4 para. (1) lit. a), respectively letter b) of Law no. 346/2004 on stimulating the establishment and development of small and medium-sized enterprises, as subsequently amended and supplemented [5].
13.	Warranty period	Warranty period [5].

3. Eligibility aspects of banks and beneficiaries of secured loans

The granting of state-guaranteed loans through the IMM Invest Romania program in times of crisis implies the reporting to the eligibility criteria and conditions of the state aid scheme of both applicants and banks that grant loans for this state aid scheme. The credits obtained through the state aid scheme are granted by the banks that meet the eligibility conditions imposed by the state aid scheme according to article six of the methodological norms as follows: "(1) The conditions for granting the guaranteed credits provided in art. 1 para. 1. shall be established by credit institutions in accordance with their internal lending rules and procedures, in accordance with the terms of the program. (2) The maximum value of the credits that can be granted to a beneficiary within the Program is established in accordance with the provisions of art. 1 para. (1) and (2). (3) During the credit, at the request of the beneficiary, the credit institution may increase the value of the guaranteed credit, up to the maximum values provided in art. 1 para. (1) and (2). (4) The request to increase the state guarantee for the ongoing credits is considered a new grant and is analyzed in compliance with all the provisions regarding the granting of guarantees within the program. The decision to reject the request for an increase shall not affect the security granted. (5) The maximum duration of the financing in the case of loans for investments is 72 months, without the possibility of extension. (6) The maximum duration of financing in the case of loans / credit lines for working capital is 36 months. (7) The extension of the validity of the credits / credit lines for financing the working capital granted under the program may be carried out for a maximum period of 36 months from the date of maturity of the financing provided for in the initial credit agreement, following that at least in the last 12 months extension, loan repayment to be made in monthly or quarterly installments based on a repayment schedule. Throughout the term of validity, including the period of extension of the validity of working capital loans / lines, credit institutions may waive the guarantee provided under the Program and may approve the takeover of working capital loans / lines and exit from the Program, subject to the termination of the validity of the guarantees granted under the Program and the liability assumed by FNGCIMM in the name and on behalf of the state. (8) Credit institutions have the obligation to verify the destination of the credits for the realization of investments and to follow the use of the financing in execution phases, according to the investment project and the execution details. (9) Drawings from the investment credit / credit / line of credit for financing working capital may be made in whole or in part, in accordance with the internal regulations of credit institutions, only for financing the investment objective and / or working capital. according to the object of activity of the beneficiary in accordance with the provisions of art. 3 para. (2) of the Government Emergency Ordinance no. 110/2017, with subsequent amendments and completions. The appropriations guaranteed under the Program may not be used to refinance other outstanding appropriations of the beneficiary. (10) Investment appropriations

/ Appropriations / Credit lines for financing working capital guaranteed under the Program may not be used for the implementation of projects financed by State aid / European funds "[5]. The aspects regarding the eligibility for the beneficiaries of the state aid scheme take into account the following eligibility criteria: “a) are micro-enterprises, small or medium-sized enterprises that meet the conditions provided in art. 2 lit. a) and art. 3 para. (1) of the Government Emergency Ordinance no. 110/2017, with subsequent amendments and completions; b) no decisions have been issued against them to recover state aid or if such decisions have been issued they have been executed, according to the legal provisions in force, c) they have not requested other types of state aid for the same eligible costs; d) were not in difficulty, within the meaning of the provisions of Article 2 point 18 of Regulation (EU) no. Commission Regulation (EC) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market pursuant to Articles 107 and 108 of the Treaty, as amended and supplemented by Regulation (EU) No 182/2011 1,084 / 2017, on December 31, 2019, but who faced difficulties or entered into difficulty later, due to the COVID-19 pandemic; e) submit a written document undertaking not to lay off existing staff from the date of entry into force of this emergency ordinance until 31 December 2020. The company may organize the work schedule of employees according to the evolution of its current activity " [5].

4. The specifics of financing by crediting the guaranteed working capital

The financing by crediting the working capital guaranteed by the state aid scheme consists of:

- the support from the state for the accessories related to loans and credit lines through this state aid scheme is in proportion of 100% for a period of time established until 31.12.2020, with the possibility of extension.
- the percentage of state guarantee for the credits contracted for working capital through this state aid scheme can reach up to 90% of the value of the credits contracted through this state aid scheme;
- the contracts provide for the calculation of the Robor interest rate at 3 months plus a fixed margin of 2.5% which is fully subsidized by the state budget [3];
- the costs of granting, monitoring and administering the guarantees granted in the name and account of the state will be borne from the state budget;
- the financing ceiling for small enterprises, the limit related to loans for working capital can reach up to 1,000,000 lei;
- the financing period is up to 36 months;
- the financing period can be extended by 36 months;
- the financing ceiling for medium-sized enterprises related to working capital loans can reach up to 500,000 lei;
- in case the beneficiary has the possibility to repay in advance the contracted credit for the working capital, he will not pay an early repayment commission.

The cost of financing loans for working capital consists of:

- ROBOR interest rate at 3 months plus a fixed margin differentiated depending on the type of loan contracted;
- the risk fee which is provided for in the guarantee contract and which is calculated as a percentage applied to the value of the guarantees. This commission is borne by the aid in the form of grand throughout the State aid scheme received by the beneficiary and is calculated according to the type of loan as follows:
  a) The method of calculating the risk fee for the working capital credit [3] shall be performed according to the following calculation formula:

Cr =V x P x Nlvg

In which:
Cr = Risk commission
V = The value of the guarantee
P = Percentage commission
Nlvg= Number of months of warranty (36 months)

b) The administration fee due to FNGCIMM for the period of the state aid scheme is borne by the state budget [3].

- Calculation of the administration fee [3], in the first year of the state aid scheme has the following calculation formula:

Ca =V x P x Nlg

In which:
Ca = Management fee
V = The value of the maximum guarantee
P = Percentage commission
Nlg= Number of warranty months in that year

- Calculation of the administration fee [3], for whole years of the state aid scheme has the following calculation formula:

Ca = Sgaa x P x Nlg

In which:
Ca = Management fee
Sgaa = Guarantee balance on 31 December of the previous year
P=Percentage annual commission

- Calculation of the management fee [3], for the last guarantee fraction has the following calculation formula:

Ca = Sgaa x P x Nlgr

In which:
Ca = Management fee
Sgaa = Guarantee balance on 31 December of the previous year
P=Percentage annual commission
Nlgr = Number of warranty months remaining in that year

5. The specifics of financing by crediting the guaranteed investment capital

The financing by crediting the investment capital guaranteed by the state aid scheme consists in:

- the destination of this financing through loans and lines of tests for investments;
- the maximum limit of loans for investments can be up to 10,000,000 lei
- the support from the state for the accessories related to loans and credit lines through this state aid scheme is in proportion of 100% for a period of time established until 31.12.2020, with the possibility of extension.
- the percentage of state guarantee for the credits contracted for working capital through this state aid scheme can reach up to 80% of the value of the credits contracted through this state aid scheme;
- the contracts provide for the calculation of the ROBOR interest rate at 3 months plus a fixed margin of 2.5% which is fully subsidized by the state budget [3];
- the costs of granting, monitoring and administering the guarantees granted in the name and account of the state will be borne from the state budget. Compared to the calculation formulas presented and used in the costs for the loan granted for working capital, the calculation formula of the risk commission is modified in the case of guaranteed loans for investments, the others are maintained.
- Calculation of the risk commission for the investment credit [3] is performed according to the following calculation formula:

Cr =V x P x Nlvg

In which:
Cr = Risk commission
V = The value of the guarantee
P=Percentage commission
Nlvg= Number of months of warranty (72 months)

the financing period is up to 72 months;

- during the financing period there is the possibility of a grace period of maximum 18 months;

- the financing is for investments;
- in case the beneficiary has the possibility to repay in advance the contracted credit for the working capital, he will not pay an early repayment commission.

6. Conclusions:

In the current economic context, the state aid scheme is an advantageous source of liquidity for obtaining financing for working capital and for investments that address a significant number of micro-enterprises in Romania in order to maintain jobs and economic reintegration. Beneficiaries of this state aid scheme, in the conditions of the crisis generated by the COVID - 19 pandemic, in order to benefit from loans and lines of credit supported and guaranteed on behalf of the Romanian state by the National Credit Guarantee Fund for Small and Medium Enterprises (FNGCIMM), must cumulatively meet the eligibility criteria of the state aid scheme on the one hand as well as the conditions imposed by the financing bank. In the first stage, the applicant will prove only for the classification of the enterprise in the category of micro-enterprises. At this stage, if the conditions imposed by the state aid scheme are met, the applicant obtains only an agreement in principle on eligibility and indicates the bank from which the representative of the micro-enterprise wishes to obtain the loan. The fact that at this stage the applicant indicates a certain eligible bank from which he wishes to obtain the loan, does not mean that that bank will borrow it because the money for this state aid scheme belongs to the banks which in turn meet the eligibility conditions. imposed by the state aid scheme. The selected bank will apply its own lending policies, will proceed to the creditworthiness analysis of the applicant and will report to its own rules and risk policies in granting the loan. In this context, we have identified three options for the applicant: 1. it is possible for the applicant to meet the conditions of the bank and then move on to the next stage of the state aid scheme; 2. not to meet the conditions of the initially chosen bank but has the possibility to apply to another bank which, following the risk analysis, approves its loan and the applicant moves to the next stage of the state aid scheme; 3. not to meet the conditions imposed by the banks and not to be granted the loan, which leads to the impossibility to benefit from the facilities offered by the state aid scheme regarding the guaranteed loans. Practice shows that most applicants fall into the third variant by the fact that in mid-May the beneficiaries of this state aid scheme are extremely few, less than 20 in number, precisely because the applicants did not meet the conditions of banks eligible for this scheme. state aid. Regarding the guarantee for the credits obtained through the state aid scheme, its characteristics are: the guarantee is delimited in time; is granted on the basis of a guarantee contract which is: synallagmatic, onerous, the value of the guarantee is reduced in proportion to the amounts reimbursed, is irrevocable, unless the policyholder fails to pay protection, no clause is inserted to exempt the guarantor from paying; is express; it is direct because it concerns identified and limited exposures, it is payable at the first request made by the financing bank; covers 90% of the value of loans and credit lines for micro-enterprises under the conditions of a maximum value of 50,000 lei and for small enterprises in a maximum amount of 1,000,000 lei covers 80% of the value of loans and credit lines intended for investments within the limit the amount of 5,000,000 lei and 10,000,000 lei for investment capital. The date on which the state's liability ceases under the guarantee granted through FNGCIMM in its name and on its behalf is: the date of full repayment by the beneficiary of the guaranteed loan, on time or in advance, the date on which the obligation to repay the guaranteed loan of the transfer of the value of the compensations, the date on which the Ministry of Public Finance pays the execution value of the guarantee, the date of communication of the rejection of the request for payment of the guarantee in case of non-compliance by the credit institution when the warranty is waived [5].

References

[1] Law no. 346/2004 regarding the stimulation of the Establishment and development of small and medium enterprises, art. 7

[2] Fiscal Code

[3] Decision on the approval of the Methodological Norms for the application of Ordinance 110/2017, pg. 3

[4] GEO 42 / 04.04.2020. for the amendment and completion of the Government Emergency
Ordinance no. 110/2017 on the Support Program for Small and Medium Enterprises – IMM INVEST Romania, as well as for the approval of the State Aid Scheme for supporting the activity of IMMs in the context of the economic crisis generated by the COVID-19 pandemic

[5] The methodological norms for the application of the Government Emergency Ordinance no. 110/2017 on the Support Program for Small and Medium Enterprises - IMM INVEST Romania, 06.04.2020

[6] https://dexonline.ro/definitie

[7] Law no. 209/2018, with subsequent amendments and completions

[8] EC Recommendation 361/2003 on the definition of IMMs