FIRMS' FINANCING POSSIBILITIES WITHIN THE EUROPEAN BUSSINES ENVIRONMENT

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The profit increment applies mainly in the private system, whereas the motivation is influenced by the sales maximization, management discretion, growth maximization and jobs offer. The liquidity flow dimension that is necessary for the excellent functioning depends on a series of factors. The financing sources can be grouped into internal and external sources and there are also different periods of time related to them. The transfer pricing, the prices that are given by the multinational firm's affiliates, is also grouped into different types. The financial services may strongly influence the way of doing business within Europe.

Key words: cash flow, bank loans, mortgage, leasing

The main firms' objective is the profit increment. It applies mainly in the private system, the profit being an increasing source for the personal capitals when it isn't allocated to the shareholders.

However, there are situations where the motivation is constituted by:

- **sales maximization** – the managerial success appreciation is based mostly on the turnover's level, which determines the salaries, the bonuses and other managers' benefits; as long as the firm obtains an adequate profit as to satisfy its shareholders, the managers will concentrate themselves upon the sales volume increasing;
- **management discretion** – it starts from the point that there is a separation between shareholders and management in most of the organizations; by guaranteeing the shareholders a satisfactory profit, the managers may act in their own self interest in the ways of increasing the salaries, the safety, the status and the prestige;
- **growth maximization** – through market quota increment, market diversification, fusions or takeovers;
- **jobs offer** – it applies in the case of organizations within the public sector; the purpose is to reduce the costs through the unemployment indemnities, the firms concentrating on the losses minimization.

Cash flows and assets valuation: the need for liquidity

The companies has the responsibility to acquire raw materials, materials, components, to upkeep the production process long before cashing the sold production equivalent value. Therefore, in order to cope with the necessary cash, the firm needs to have a constant reserve fund.

The liquidity flow dimension, necessary for the excellent functioning, depends on the short time cash levels that are undertaken by the firm.

Thus, there is a series of influential factors:

- the business dimension;
- the time period between the payment and cashing equivalent value production
- fluctuations cashing;
- the increasing or decreasing firm's activity tendency;
- the necessity for the fixed capital acquisition;
- the constraints imposed by the banking or credit institutions.

Financing sources:

These can be grouped in two categories:

- internal sources (profits not given to shareholder - the main investments source);

– external sources (mostly on the capital market).

Short time period financing sources:

– *bank loans* (used especially when the liquidity necessity exceeds the temporary firm's needs);
– *trade credits* (for example, a raw materials provider accepts to cash the equivalent value of the delivered products on a subsequent date, crediting this way the producer);
– *the factoring*.

Average time period financing sources:

– *bank loans* (usually used for the acquisition of fixed tools and capital goods, the costs concerning the credit depending on the loan duration, on the risk level, on the requested sum and on the creditor's reputation);
– *the leasing* (it offers the possibility to obtain equipments, machines, installations etc. without being necessary to pay the integral equivalent value; through leasing, these are given to the beneficiary by a specialized firm, in exchange of 3-5 year installments);
– *installments buying* (it eliminates the integral financing problem of the equipments' acquisition; the difference between the leasing and the installments buying is that at the end of the period, the goods remain automatically to the person who used them if they are paid by installments);
– the appeal to the European capital markets;
– *the investment funds*.

Long time period financing sources:

– the leasing;
– the mortgage (if the firm needs exorbitant sums for financing the terrains' acquisition, the construction of buildings, warehouses, factories etc., it is possible, if there are no enough high value goods to be used as a guarantee, to mortgage the object which the beneficiary won't dispose of until the integral loan is paid);
– issue of bonds;
– issue of euro-bonds (bonds emitted in a different currency of that where the firm originates);
– preference shares;
– dividends.

Pricing strategies: the transfer pricing and the multinationals:

The transfer pricing refers to the prices that are given by the multinational firm's affiliates in relation with other affiliates of the same parent company.

One may determine many types of transfer pricing:

– transfer pricing induced by the fiscal system (the multinational tries to minimize the fiscal exposure, transferring a part of the profits into another country with lower taxation policy);
– transfer pricing induced by the fact that the firm wishes to obtain profit at every profit's level that is brought by the market;
– transfer pricing determined by the market's price;
– transfer pricing imposed through the global strategy of the multinational's firm.

The unique market within the financial services domain:

The financial services strongly influences the way of doing business within Europe. For instance, goods sold from Denmark to Sweden, have to be paid through the international banking network, one may obtain a three months credit for the transaction financing, and the commodities will have to be assured so to avoid the risk of loosing or destroying (probably the Lloyds firm from London etc).

The banking European system has felt after 1987, the need for a big change especially because of:

– the rapid growth of the banking sector and of the adjacent financing services;
– the growth of the universal banks' importance, having a very varied services offering;
– the increasing deregulation;

- the extra-communitarian banks' competition;
- the responsibility growth and the intensification of the market needs' perception.

The euro introduction has cost the world banking system (according to some estimates) about 7 milliard dollars annually, due to the possibility of losing the profit made of exchange rates differences. The parallel functioning period of the national currency with the euro, has also meant additional operation costs. The investments in new systems and technology cover the cost economies' equivalence that is realized by the unique currency introduction in approximately 6 years.

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