

IMPACT OF PROPERTY REFORM ON THE MICROFINANCIAL PHENOMENON

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Abstract

Property reform means the totality of economic, politic, social and other kinds of measures meant, on the one hand, to ensure the diversity of property forms and to improve their structure, and on the other hand, to from premises of the efficient exercise of property rights on the economic potential elements, the corporate governmental mechanisms being included. In the Republic of Moldova, according to the Law nr. 459-XII from 22.01.91 on property, there are three types of property: private, collective, including "kolkhoz", and state property.

INTRODUCTION

The property reform shall be understood as a totality of economic, political, social and other action aimed, on one part, to ensure diversity of ownership forms and optimize their structure, and on the other part, ensure conditions for efficient fulfillment of ownership rights for economic potential elements. In the Republic of Moldova in accordance with the Law on property #459-XII dated 22.01.91 there are three types of property: private, collective, including kolkhoz, and state ownership. These types of property can exist in different organizational forms: individual, familial, cooperative, joint stock companies, economic entities, state-owned enterprises and institutions, municipal, organizations and public movements, religious organizations, mixed, including with participation of citizens and legal persons from other countries, as well as other forms of property that are not forbidden by law.

Under conditions when over 90% of economic assets of the Republic of Moldova were owned by the state, where the latter proved to be inefficient in the most obvious form, civilized reform of property implied initiation of denationalization of property and privatization.

Although in modern East-European context transfer of ownership rights for production facilities owned by the state is traditionally considered the main means for creation of a private sector in an economy dominated in the public sector, although, these two processes should not be confused or mixed. In first place, it is not likely that transfer of property from the state into private ownership is sufficient for creation of a private and dynamic market economy. In the second place, such private market sector can be created more successfully by stimulating formation of new enterprises and expansion of existing unit in private sector in the process of formation than by transformation of state-owned goods into private goods.

MATERIAL AND METHOD

From theoretical and scientific aspect material of this

article has been made in the context of complex and systemic approach to modern economic concepts.

Taking into consideration the bases of research, fulfillment thereof employed a large range of economic methods of study based on principles of dialectic determinism. For this purpose, when applying scientific abstraction it has been taken into consideration that the driving force of development is internal contradiction between phenomena and processes. It has been considered that induction and deduction do not constitute independent and separated from each other forms of research, but determine each other and present the required aspects of the general method of studying economic reality. It has been found necessary that each phenomenon and process to be analyzed, and the latter must be completed with synthesis.

Complexity of studied economic and financial phenomena has necessitated the use statistical methods, namely analysis of correlation and regression. In the same time, for this purpose there was employed a multidimensional compared analysis based on Euclidian distance method.

RESULTS AND DISCUSSIONS

Financial situation represents the result of interaction of all elements of financial relations system in an enterprise and can be determined by an ensemble of indicators that characterize its capacity to pay for its obligations. The main goals of analysis of financial situation are: evaluation of structural dynamics and rotation of assets; evaluation of structure dynamics and circulation of own and borrowed capital; analysis of value and dynamics of absolute and relative indicators that characterize financial stability; analysis of solvability and liquidity of balance assets. On the basis of these theoretical aspects we will move on to multidimensional analysis methods in order to calculate the rate of financial independence

The rate of financial independence (own capital concentration rate) is determined by applying the formula and characterizes the weight of enterprise owners' property in the total amount of investments in its activity. The higher is this indicator, the most stable is the company from

the financial perspective and independent from external creditors. Creditors invest „easier” into a company that has a higher share of its own capital in the total amount of financial resources.

In the same time it is important to mention that the level of financial independence is treated differently in different countries. In accordance with information from the Organization for Economic Cooperation and Development, OECD, the share of borrowed funds in the total amount of financial resources constitutes in average in Japan - 85%, in Germany - 64%, in the U.S. - 55%. In these countries investment flow has different characteristics – for example, in the U.S., the biggest share in financial flow is provided by the population (for example, through mutual funds), in Japan – by banks. Considering these facts, a higher value of borrowed capital concentration ratio tells us about a higher level of trust by banks to corporations. And vice versa, a smaller ratio indicates inability of a company to make bank loans, which represents a warning for investors and creditors.

When local banks make loans in favor of companies owned by foreign legal persons, the interest rate is lower because it is considered that the credit risk in case of such loans is lowest; in some cases the banks make loans to this group of enterprises under guarantees of state. In case of agricultural enterprises (kolkhozes) 1 lei of own capital is opposed to 0.05 lei in borrowed capital. The reason that can explain such low value is that potential borrowers need medium-term and long-term loans at low interest rate (considering poor financial situation of local agricultural enterprises). The bank portfolios in this segment of loans is not well developed. As for private companies, it should be mentioned that the majority of them represent commercial structures, whose activity is strictly aimed at short-term operations, and brings relatively high profit. For this reasons, the banks are prone to

	Financial independence	Borrowed Capital / own capital
Total by forms of ownership	0.40	1.47
<i>Property of the Republic of Moldova</i>	<i>0.47</i>	<i>1.13</i>
Public property	0.70	0.43
Property of state	0.58	0.72
Municipal property	0.92	0.08
Private property - total	0.27	2.67
Private property	0.11	8.07
Collective property	0.28	2.62
including kolkhoz property	0.95	0.05
Property of public organizations and movements	0.22	3.47
Property of religious organizations	0.06	15.51
Mixed property (public and private, without external involvement)	0.47	1.14
<i>Foreign property</i>	<i>0.17</i>	<i>4.93</i>
Property of foreign countries	0.25	2.98
Property of foreign citizens, legal persons and aliens	0.17	4.99
Mixed foreign property (without involvement of the Republic of Moldova)	0.22	3.47
<i>Property of mixed enterprises</i>	<i>0.22</i>	<i>3.49</i>

Table 1. Financial independence and debts ratios

Source: elaborated on the basis of data from the National Statistical Bureau.

make loans to this group of enterprises.

CONCLUSIONS

The research lead to the following conclusions:

1. An efficient financial mechanism, under a positive influence of consequent promotion of economic reforms, it

must stimulate economic entities of the Republic of Moldova to gain value; keep and multiply value; borrow value and not allow irrational ‘blocking’ of value.

2. Application of criteria for evaluation of economic indicators of economic reforms gives a less favorable picture about CIS countries as compared to Central and Easter Europe countries.

3. Economic growth in Moldova can be characterized by a notion of ‘restoring growth’.

4. There is a negative dependence between global indicators of reform promotion and lower share of industry in GDP. Reduction of industry in GDP implies reduction of value ‘devouring’ amount – a phenomenon mostly observed in industrial sectors.

5. Moldova did not allow for strong effects of economic growth.

6. There is an indirect relation between GDP growth and applied methods in privatization. The methods used in privatization in the Republic of Moldova generate unfavorable effects for obtaining the value.

7. A multidimensional compared analysis of financial indicators observed in Moldovan companies subject to form of ownership shows the highest financial ratios in private companies, followed by collective and mixed enterprises. Factors for obtaining the value, however, are not managed efficiently. As a result, the property reform in the Republic of Moldova by creation, development and consolidation of the private sector has not resulted in expected economic effects. In the same time, there was established a tendency for an indirect positive correlation between GDP per capita and PPC and share of private sector in GDP in post-communist countries.

8. A compared multidimensional analysis of financial results found in enterprises of the Republic of Moldova subject to organizational – legal form shows that the highest financial ratios are found are individual enterprises followed by limited liability companies, simple limited partnership and closed joint stock companies. Inefficient development of the financial sector makes less advantageous such legal forms of organization that in order to be efficient need a developed financial market and forces economic entities to organize business in relatively simple organizational forms primarily based on funding from its own resources.

9 Arrange efficient stimuli that will ensure restructuring of enterprises;

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