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SOURCES OF BUSINESS FINANCING

Vesna Grozdanovska (Corresponding author)
University St. Kliment Ohridski Bitola, Republic of Maceodnia
e-mail: grozdanovskavesna@yahoo.com

Nikolche Jankulovski
University St. Kliment Ohridski Bitola, Republic of Maceodnia
e-mail: nikolcejankulovski@yahoo.com

Katerina Bojkovska
University St. Kliment Ohridski Bitola, Republic of Maceodnia
e-mail: katerina_petkovska_bt@yahoo.com

Abstract

Many financial sources on the marketplace are designed to fit the needs of the small, large, new and established businesses. In order for business to grow, companies need sufficient funding for projects, making purchases and expanding operations to make them more efficient and profitable.Business finance is available in multiple forms, including long-term loans, short-term loans and equipment financing.The term loan is very popular for many companies in need of money for expansion, acquisition, or working capital and can also be used for refinancing. This type of business finance loan is usually repaid over a period of time based on the useful life cycle of the assets that need to be purchased.

Keywords: business, financing, sources, investment

Introduction

Financing business is a complex process that enables planning, provision and use of the necessary funds for the ongoing development and operations. Depending on how business entities provide cash to fund current and work in progress, funding appears as: self-financing, financing for a cost of third party, lending, specific forms of financing, factoring financing, finance leasing arrangements and financing franchising arrangements. Some fundings are short-term and must be repaid within one year. Other sources of business financing are long-term and should be returned within several years.

The sources of funding can beinternal and external. Internal sources of business financing, are means belonging to the internal company's funds. External sources of business financing may include using funds from new business partners or issuing shares and bonds that create long-term liabilities. Different types of loans are considered as external sources of business financing. Internal sources of financing of assets of the business such as own funds, working capital, retained profits and funds from the sale of property.

1. Self-financing

Self-financing of business includes the processes and procedures that the company provides funding from own resources, without obligation to return them. Self- financing of business is one of the most significant source of funding for business, especially at the beginning. Self-financing occurs in two variants, namely:[2]

• self-financing from internal sources and
• self-financing from external sources.

Internal sources of means for business financing, are created by the business entity with their operating. Those sources of business financing appear as amortization, payment of the principal of long-term investments, long-term provisions, charged to the total revenue and accumulated net profit.

- Amortizationis an economic phenomenon which express the cost of fixed assets in the process of reproduction.
- Payment of principal long-term placements is the business entity whichsometimes if there is a surplus of funds from the bank account can excess to place and borrow for a period exceeding one year with interest
- Accumulated net profit is net financial result that the business entity has realized during the business year.

[2] Б.Трајкоски, Деловни финансии со финансиски менаџмент, Прилеп 2002 година

When the accumulation of overall net profit for increasing of its own capital, net profit is entirely a source of self-financing. Net profits are distributed, only from part of the net profits that are accumulating to finance growth and development, and the reserve capital becomes source of self-financing.

External sources of self-financing provide funds for financing business outside the company. External sources of self-financing appear as self-financing by issuing shares, permanent deposits from third parties invested capital owners, independent companies selling long-term bonds over the face value.

- *Issue of shares* is an act of financing a business entity, so that, in one hand, there are shareholders and on the other, party is a business entity. Economic entity needs funds and performs issue of shares. In this way funds from shareholders come from the bank account of the business entity.
- *Permanent deposits* by third parties are the largest application of enterprises that are not shareholders, i.e. a kind of ordinary partnership in which two individuals establish partnership by investing its assets either as fixed capital or as capital that will induce development.
- *Investment in capital* from *the owners of independent companies* occurs amongindependent ie companies whose owner is an individual.
- *Sales of long-term bonds* over the face value appears when the company can purchase shares at face value and sell them at retail, ie higher value. Difference between the nominal and selling value of the bonds is a source of self-financing.

2. Financing mutual investments

Financing joint venture is a form of financing when a separate legal entity from the country or abroad shall conclude a financing agreement with another person. Joint ventures or business activities is a term that defines the companies which are formed from two or more persons or companies in order to work together and make a profit.

In most cases, joint ventures or bilateral activities. In most cases, joint ventures or activities are bilateral. They are considered as bilateral relations because it involved two sides of a business, they are partners in order to build certain strategic advantages. The main reason for achieving such activities may be, for example, access to new technical through which companies will gain competitive advantages; getting certain intellectual knowledge, necessary human resources to the closed channels for product distribution in certain regions of the world etc. Also, in this way the difficulties in integrating the cultures of the organizations can be overcome.

Parties undertaking joint activities agreed to create a new company to increase capital and share profits and costs and to control the operation of the company. Joint activity can be considered while implementation of a specific project or achieving continuousperformance together.

The reasons for joint ventures or undertake of joint activities can be the following: :[3]

• **Internal reasons:**
o strengthening of the company;
o shared costs and risks;
o increased opportunities for use of funds;
o increase the competitive advantages;
o access to new technologies and customers;
o accepting new innovative management practices.
• **Competitive objectives:**
o impact on the industry in which the companies operate;
o overcoming the competition;
o creating stronger competitive parts of the company;
o quicker access to the market;
o showing power;
• **Strategic objectives:**
o achieving synergistic results;
o transfer of technology and knowledge;
o diversification

Joint ventures have the following advantages and disadvantages:[4]

• advantages are:
o sharing the risk and create opportunities for the advancement of technology and knowledge;
o joint financial strengthening;

[3] Joint venture – Wikipedia, https://en.wikipedia.org/wiki/Joint_venture
[4] Advantages and Disadvantages of a Joint Venture
www.rpemery.com/articles/advantages_and_disadvantages_jv.htm

o may represent a means to enter foreign markets;
o can be a source of supply from third countries.

As disadvetages of foreign investment can be highlighted:
o partners having full control over the management of the company;
o may not cover capital;
o disagreements can arise about the performance at third markets.

3. Lending

Enterprise Loans (English: company loans, corporate loans) are financial assets which banks lend to businesses in order to finance current consumption and investment. Lending is based on some conditions that the crediteeand the creditor need to fulfill or accept them, and they can be different. To get to the credit relationship between partners it is necessary to establish a debtor-creditor relationship in which the creditor must obtain security and believethat the relinquished funds will be returned after the expiry of the stipulated time.

Lending to business entity is amain activity of bank lending. Bank loans are one of the most important sources of financing business entities. Loans have a special place in the lending function of banks due to their characteristics as well. These loans are usually approved in large amounts, so that the bank is exposed to credit riskat a greater extent. When lending to business entitiesthe credit analysis is more extensive and more complex. The whole process of lending to business entities is very complex and requires a lot of care and decision-making, and is based on comprehensive analyzes.
Banks grant various types of loans to business entities depending on their needs, purpose, maturity etc. The basic principle of lending is that the loan should follow the dynamics of the financial needs of the client. If it comes to lending the investment project, the loan should be aligned with the project life cycle. Bank loans should be aligned with the lifespan of the project, i.e. cycle of turnover capital of companies. The financial needs of businesses can be temporary or permanent. To finance temporary needs banks to approve short-term loans and permanent financing needs are covered by long-term loans.
In terms of loans for enterprises there are: loans for seasonal inventory, credit lines (frame credits), renewable credits, loans with pledge on working capital, long-term loans, mortgage loans, loans to small enterprises and micro-loans and foreign currency loans[5]:

- Loans for seasonal supplies
- Credit lines / frame credits
- Renewable credits
- Loans with pledge on working capital
- Long-term loans
- Mortgage loans

***Loans** for seasonal inventory* (seasonal working capital loans, inventory loans) are one of the most common loans that banks approve enterprises to finance the seasonal increase in inventories. These loans are approved for purchase of materials or merchandise, and later when the products or goods are sold and collected, enterprises repaid the loans. These are short term loans and are mostly unsecured. In credit analysis, for these loans is very important that the credit officer to assess the amount of seasonal inventory properly and the length of the cycle of working capital which depends on the amount of the financial needs of the client.

Credit line is a contract for lending that the bank makes available a certain amount to the client, which can be used within a specified period of time. The credit line is agreed for a period of six months to a year, further on the bank and the client agree on its renewal, depending on the financial status of the company and market conditions. These loans are characterized by great flexibility and because for those the maximum amount of the loanis determined, but the client has no obligation to utilize the full approved amount. The advantage of these loans is that the borrower decides at what time and how much to borrow. Credit lines are suitable for companies that need financing without a precise information how much they might be needing over a given period. With these loans, credit analysis is performed according projected monthly or quarterly financial statements of the client. Additional convenience with credit lines that the borrower pays interest only on the used part of the loan, however banks charge a certain fee (commitment fee), expressed as a percentage of the unused portion or the entire amount.

Renewable loans (revolving loans) are very similar to credit lines except that they represent a kind of intermediate form between short and long-term loans since they cover a period of two to five years. Just like with credit lines for those loans the bank and the client agree on the maximum amount of loan that can be used within a specified period of time. The company borrows when needed and as much finance as needed. Later,

[5] Горан Петревски, Управување со банките - второ издание, Економски факултет, Скопје, 2011

when the borrower will have cash inflows from sales, returns only part of the loan (according to the current financial capabilities), which automatically continues in the next period. Banks typically charge variable interest rate, commission of the unused portion or the entire amount of the loan.

***Loans** with pledge of working capital* (asset-based loans) are short-term loans that banks approve on the basis of the pledging of stocks of materials or finished products, or receivables. This type of lending is quite widespread in developed countries and most often is dealt by financing companies, and applied bybanks as well. These loans are approved within a specified percentage of the book value of the securing. Moreover, as the company sells supplies and collect the receivables, part of the cash flow automatically goes for payment of the loan. A characteristic of these loans is that in the process of approving the loan, the bank gives priority to security than with other types of loans. In the case of incomplete loan repayment, banks easily act upon activating the security.

Permanent financing needs of enterprises are covered by long-term loans (term loans) used for the purchase or construction of fixed assets or working capital. These loans are approved within few years, provided that the term of maturity should be aligned with the life of the asset financed. Long-term loans belong to the group of secured loans and on their approval, the customer requires a certain share in the total value of the asset financed, ie the loan amount is less than the value of security. Long-term loans are disbursed in two ways: once in full or in installments, or according to the financial needs of the client. The manner of use of the loan depends on its purpose. For example, if it serves to supply machine, the loan is paid once, and if needed to finance buildings or permanent working capital, then the loan is used in several installments. Also, repayment of long term loans can be made at once or in periodic payments (annuities) which is the most common. Even though the installments are usually equal during the entire repayment period, however the bank and the client may agree on different course of installments (ascending or descending). Long-term loans may include a grace period. Main place in credit analysis for long-term loans has the determining of future financial position of neat loan repayment. This means that in addition to historical financial statements, special attention is paid to future projected cash flows of the company. Securing these loans has a secondary importance in the decision approving the loans.

Mortgage loans (commercial real estate loans) are approved for building construction, such as office and residential buildings, shopping centers, etc. According to maturity, mortgage loans could be long-term or short-term. The name indicates that these loans are paid in installments. Because mortgage loans are closely associated with the facility which is funded, key position in credit analysis has the correct assessment of the market value of the object at the time when it will be completed. In that regard, although secured by real estate, these loans can be very risky if, after their approval trend of declining real estate prices appears.

4. Financing Through Leasing Arrangements

Leases in its simplest form is a tool for securing funding and widely defined as a contract between two parties where one party (the lessor) provides some means the other party (the lessee) for a period of time and predetermined compensation. Leasing occurs[6]:

According to the characteristics of the leasing object as:

- leasing of consumer goods,
- Investment leasing
- leasing of movables and immovables- leasing of already used goods,

According the length of the contract as:

- short-term or operating lease
- long or financial leasing.

According the position of the lessor as:

- lease where the leasing object manufacturer and provider of leasing are different persons or leasing through a leasing company
- concern leasing, where leasing company by way of concern relates to producers, traders and financial institutions in the single process of leasing services
- leasing production when manufacturer leasing object is also a provider of leaseing
- Derivative financial leasing, where the recipient of leasing comes into direct relations with the bank credit the recipient of leasing in respect of the obligations arising from the lease agreement.

Leasing can be divided as follows:

- According to the subject of the lease and
- by way of lease.

According to the leasing entity/subject leasing can be:

[6] Fletcher,M.;Freeman, R.; Sultanov, M. and Umarov, U., "Leasing in development - Guidelines for emerging economies", IFC, 2005

- leasing of equipment,
- leasing of immovable goods
- international leasing.

Leasing of equipment is leasing personal production equipment, tools, machinery for construction etc.

The leasing of immovable goods covers lease of office space, land, houses, flats etc.

International leasing arrangement is that when the lessor is from one, and the user is from another country. Subject to international leasing are usually items with large values (ships, aircraft, etc.). International leasing arrangements are conducted in the context of the economic the development of underdeveloped countries, because those countries in this way would use modern equipment and increase production, employment, and simultaneously accelerate and economic development of the country.

According to the method of lease, leasing may be:

- exploitation,
- financial,
- direct and

indirect.

The *exploitation lease*refers to a lease to property for a period shorter than the economic lifespan of the property. The owner of the leased property needs to issue a lease for property many times, with payment of the lease, to return property values and make a certain profit. This lease is canceled with notice.

Financial leasing is a long term in terms of the exploitation and cannot be cancelled. This leasing, rule-wise lasts as long as the economic life of the property that is leased. Financial leasing is the most important form of leasing.

In directleasing manufacturer leases equipment or other property directly to the lessee. This avoids the cost of mediation.

In indirect leasing manufacturer sells theleasing equipment to an institution which deals with rental. Leasing institution leases thepurchased equipment from the company. Companies, banks, insurance companies and others can be considered as leasing institution.

In the operative leasing there are two parties involved, including: leasor and leasee. Payments arising from leasing contracts are insufficient to cover the expenses for leased equipment, so leasing contract concluded for a shorter time than the expected lifespan of the length equipment, which means that a given object under the lease are not amortized in full through the duration the leasing arrangement. This means that compensation of leasing does not cover the total cost of the asset. On the other hand, the user of the services of leasing with the contractis insured against possible risks, as in the case of reducing the amount of work the leasing contrat can be cancelled and return the equipment before the end of the agreed period. By placing revocation clause in the leasing contractthe user of the leasing is able to return thr equipment if its technology is outdated or if is no longer needs. As lessors, companies that produce equipment, electronic parts, different machines, cars etc usually appear.

Financial leasing is a contractual relationship in which the first party (leasor) is obliged to finance the other party (leasee) for purchase of equipment chosen to be bought or manufactured with a third party (manufacturer or dealer), by ensuring it and reselased to the recipient of longer period of time. One side (the lessee) is closing a contract (contract for delivery) with a third party (supplier) based on which it purchased equipment under conditions determined by the user, whereas signing a contract with the user, carrying the right to use this equipment, in exchange for payment of compensation. The receiver however, is obliged to pay fee installments that should cover investment costs completely or mostly through interest or output so that after the deadline the recipient can redeem the equipment, restore or continue its use and operation. So basically, it is a specific form of lending where the loaner owns the setting items purchased by the customer applying to the leasing. As for the financial leasing, the recipient has certain rights in respect of the leasor, and if the equipment is not delivered or is delivered later than agreed, according to the contract. As for the financial leasing the basic delivery period is equal to the full amortization of the equipment. During that period, the asset should be fully amortized, which actuall exceeds the value of the purchase price of the equipment. During that period the contract can be terminated. In this type of lease the risk of obsolescence of equipment and the costs of insurance, maintenance and repairs are set by the recipient of leasing, because in this case the lender acts as a financier.

The lessee must hire a large financial means which is an enormous advantage. Leasing is an expensive way of financing, but is used because of certain advantages.[7]

- Minimum cash payment,
- Easier approve of leasing bank credit
- There is no danger of obsolescence of equipment, because it can be replaced at the end of the contract,

[7] Стратегии за настап на меѓународен пазар - Дел 3 - Претприемач
www.pretpriemac.com/strategii-za-nastap-na-megjunaroden-pazar-...

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• The contract for leasing includes the maintenance of the equipment,
• The lease is treated as an operating expense which reduces the tax,
• Leasing allows payment in the long term and
• The lessor provides expert advice to the lessee.
Disadvantages of leasing system are:
• The equipment rented is not the property until all payments,
• The long term costs are higher
• There is no possibility of canceling the lease.

In business entity can be doubtful whether the equipment should be taken on lease or purchased with a loan. The decision should be based on comparing the cost of financing through leasing in comparison to the loans. You should choose which source of funding is cheaper. For this purpose use the method of net present value. With this method the present value of the cash cost of the lease with the present value of the cash cost of credit is compared. Preference is given to the alternative that has a lower present value of the cash cost.[8]

5. Financing Through Franchise Arrangements

Franchising is a typical commercial work or production and sale, and since any production and sales related to financing, therefore franchising is interesting in terms of funding. Franchise arrangements are the result of long-standing trade practice. Franchise it is one of the business strategies applied to ensure an increase the number of buyers. Franchising [9]is a system which helps to build a picture of the understanding of current and future customers about how the products or services a company can serve to meet their needs. Franchising is a method of distributing products and services to meet the needs of consumers.

Franchising is not a business itself, it is a way of work. Franchising means building business relationships in which the company is realizing certain business - franchisor - to contract with another firm or firms - franchisees - allowing its products to be sold directly to the market and use the name of the company for some time. Franchising of the International market is defined as a continuous relationship between the person who gives the franchise in order to provide benefits for business, the organization of work in sales and management.

Franchising is used to describe a certain number of business models and relationships that are built between:[10]
• manufacturer and retailer - the retailer sells products that it provides franchise - the franchisor - directly to end-users or customers;
• manufacturer and wholesaler - wholesalers distribute the products of the manufacturer to the retailer;
• merchant wholesale and retailer;
• retailer with another retailer - the goods that it provides franchise ис sold under the common name and under the same standards.
There are two types of franchising works as follows:[11]
• business franchise operations; and
• derivative franchising works
The ***trade franchise concerns*** the sale of goods through the trading network of permanent customers. There are two subjects appearing such as franchising giverand franchise user.
In trade franchising as provider dealswith large manufacturing companies or large enterprises, and the users are small commercial entities. To start the franchising arrangement between the provider and the user an agreement must be reached in which the lender is obliged to supply the user in its stores with products, transfering some experiences, i.e. their method of sale and so on. The user agrees that its stores will sell only products of franchising provider, respect its rules of conduct, respect the established selling prices etc. The provider of franchising sees the advantage from the fact that it increases the possibility of realization of products. The advantage for the user is that without elaborating the market, its trade mark is provided and realizes its profits.

The essence of the production franchising is that the user of franchising, in addition to the right to sell, realizes production rights. In this type of franchising its users produce and sell products to service franchising. Thus it is reducing overall costs, because the production is closer to the place of sale. Providers of production franchising are major manufacturers that help a user franchise organization of production. The customer franchise shall be communicated to the necessary knowledge and experience, the trademark of the product etc. Lender and

[8]Prof. d-r Mirko Kulic ,Finansijski menadzment "Megatrend",Univerzitet primenjenih nauka, Beograd, 2003
[9]Bob Gappa: What Is Franchising, January 15, 2004
[10] Czinkota Ronkainen Moffett: International Business, 7e, 2007
[11] проф.д-р Бранко Трајкоски, Деловни финансии со финансиски менаџмент, второ изменето идополнето издание, Униврезитет Св.Климент Охридски – Битола, Економски факултет – Прилеп, април 2002 год; Четврт дел, Финансиски пазар и финансирање.

franchise agree on production capacity and control the volume of production, as this production is the competition in the sale of products. Users of the production franchising are small entrepreneurs who are engaged in production. By franchising they acquire the right to manufacture and sell products and services. Users of franchise cooperate with providers of franchising at the venue of which the production is organized. They pay fees to providers of franchising as a fixed amount. Their advantage is that production has already been achieved and the market is explored, and the risk of investing in additional manufacturing capacity is significantly reduced[12].

6. The Role Of Capital Market In Financing Business Entities

The choice of method for long-term financing has long-term financial implications on capital structure, financial stability and financial strength of business entity. In this manner creating a structure of developed market economies is done.The capital market is of institutional nature. It is the institution through which the national economy is achieving its goals and objectives. This market has a long tradition in developed countries. The efficient functioning of the capital market is necessary:[13]

- There is stability in the national economy;
- respecting of economic rules;
- higher level of development of the money market and foreign exchange market;
- developed banking system;
- developed system of securities;
- developed system of savings habits;
- developed system of information;
- higher level of economic education subjects.

6.1. Financial via issuing of shares

With the issuing of ordinary and priority shares of the business entity the funds collected are those for which there is no obligation to be repaid. Lack of financing through the issue of shares is that no business entity has any tax savings as in bonds because dividends are paid out of the net income. The dividend payment as expenditure affects the solvency of the business entity. But the advantage of financing through the issue of shares is that the dividend payment is not mandatory each year, as in the case with interest.

Regular or ordinary shares are written documents for permanent assets invested in fixed capital of Joint Stock Company. They indicate the ownership over the part of the corporation. Based on this property shareholders have certain rights, including: right for management, the right to dividend and right for a part of the liquidation estate.

The owners of regular shares bear the greatest risk of the operation, because they can not always nor in general realize their rights arising from shares. Hence the possibility of their earnings is greatest, because the owners of ordinary shares, as a rule, directly participate in any increase in the net profit of the company, while holders of preferred shares and bonds receive a fixed yield in the form of interest, which does not depends on the realized financial result of the operation of the business entities. Because the owners of ordinary shares bear the highest risk of work, they are given the right to control the company, because they are most interested in its successful operation.

The main purpose of sale (emission) of regular stock is collecting permanent equity financing, establishment and development of the business entity. Core capital is a permanent source of funding for the operation. It is themost quality source because it is permanently available and is not necessary to be returned. In contrast, borrowed capital has a fixed period and must be returned. That is why the capital is an important component of the capital structure of the corporation. This capital is particularly important for financing long-term investments and maintenance of financial stability of the company.

Priority shares however, give their owners a privileged position in relation to holders of ordinary shares. These stocks have some similarities with the bonds. The preference shares entitle the owner to dividends according to pre-specified amount or percentage of the nominal amount of shares. This means that the preferred shares carry a contribution to the height of the fixed dividend which is agreed in advance, unlike the ordinary shares that carry a variable dividend, which depends on the size of the net profit.

Owners of preferred shares have priority in the payment of the dividend in respect of holders of ordinary shares. Regarding the right to manage the company may still be said that the owners of ordinary shares have a more

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[12]Finansijski menadzment – Prof. d-r Mirko Kulic , “ Megatrend “ univerzitet primenjenih nauka, Beograd, 2003

[13] Доц.д-р Гордана Витанова,Финансиски пазари и институции, Универзитет “Св. Климент Охридски “– Битола, Економски факултет Прилеп, 2003г., Втор дел – Финансиски пазари, пазар на капитал

favorable position than owners of preferred shares. There are certain similarities among the preferred shares and bonds. Preference shares and bonds of owners give them the right to charge a fixed yield in the form of dividends or interest, within the agreed period. In both cases the income is limited to a fixed amount. Owners of preference shares and bonds have no right to manage the company. These rights can only bi given if it is possible to exchange these securities for regular shares.[14]

6.2. Financing business via issuing of bonds

Starting from the method of payment of principal and interest, the bonds can be divided into two groups, namely: single and multiple viable costs.

Single bonds (zero coupon bonds) oblige the issuer to pay (back) the borrowed amount of money to the developer at due. This sum is equal to the face value of the bonds plus the corresponding amount of interest. These bonds are rarely issued.

Multiple-effective bonds (bonds with a coupon) oblige the issuer to pay periodically to interest until maturity to the investor, while the face value of the bonds on due. These bonds include principal payment on due while the interest is paid several times, usually twice a year, according to the agreed nominal interest rate. Capital market today is dominated by multiple-effective bonds. With sales of the bonds issuer provides the necessary borrowed capital. Receiving money from the sale of bonds, as a rule, is reusable and occurs at the time of their sale. Based on the sale of bonds in becomes an obligation for the issuer to pay a fixed interest rate to the investor and on due date of bonds to pay the principal of the debt. With the purchase of bonds among investors resulting two cash flow, but opposite in terms of cash flows incurred by the issuer.

Financing through the issuance of bonds has certain advantages, but some disadvantages as well[15].
The advantages are seen in the following:
• First, the issue of bonds the enterprise allows using total loan of borrowed capital over the duration of the loan. The cost of paying interest on the issuer reduces its profits and therefore its expenses for income tax. This is not the case with dividends, because they pay the shareholders out of net profits;
• Second, with the issue of bonds it can easily fit a large amount of required capital through its borrowing from many small lenders instead making it from a creditor, and this is what the advantage of this method of financing is in relation to financing with bank or other loans;
• Third, the advantage of buying bonds to investors is that the principal of the invested capital shall be returned once, and not in parts, so they do not take into account the reinvestment of principal parts of the final return. In addition, taxpayers have a right of liquidity, so the developed financial market can quickly and easily be sold.
The disadvantages of this funding are manifested in the following manner:
• First, the payment of interest on the bond holders is mandatory and does not depend on the net profit or loss. If the interest is not paid, then it may lead to liquidation of the issuer;
• Second, the final payment of the total principal debt falls suddenly on the day of its due. This can cause a problem for some issuer's solvency. To overcome this problem it is required that the company needs to have a special fund to purchase bonds during the term of the loan to allocate resources in the fund from the net profit. Thus collected finance should in the meantime be used by the issuer to fund current operations or to invest in securities, mainly for achieving income. Another possibility is to preserve the long-term financial balance at the time of the final repayment of the bonds is to make a new borrowing. In this case the issuer of the bonds makes the payments through long-term loans or loan capital on the basis of a new issuing of bonds;
• Third, the weakness of the financing through the issuance of bonds is that in case of insolvency of the issuer is problematic for the investors regarding the collection of interest and principal capital.

Conclusion

Business financing occurs as self-financing, financing of joint venture, lending, and specific forms of financing.
Self-financing business is one of the most significant sources of funding for business, specifically at the beginning. Self-financing appears as a self-financing from internal sources and external sources.
Financing of joint venture is a form of financing when a separate legal entity from the country or abroad shall conclude a financing agreement with another person. Joint ventures or business activities is a term that defines the companies which are formed from two or more persons or companies in order to work together and to make a profit.

[14] Kulic M. (2003). Finansijksi menadzment " Megatrend " Univerzitet primenjenih nauka, Beograd.

[15] Kulic M. (2003). Finansijski menadzment " Megatrend " Univerzitet primenjenih nauka, Beograd.

Lending of business entities has major place in bank lending. Bank loans are one of the most important sources of financing for business entities.
Leasing in its simplest form is a tool for securing funding and widely defined as a contract between two parties where one party (the lessor) provides some means to the other party (the lessee) for a period of time and predetermined fee.

Franchising is a typical commercial work or production and sale, and because any production and sales related to financing, franchising is interesting in terms of funding. Franchise arrangements are the result of long-standing commercial practice.

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