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Scoring method applied to financing programmes in the context of sustainable development

Andreea Lorena Radu[a], Maria Dimitriu[a,*]

[a]The Bucharest University of Economic Studies, 6 Piata Romana, Bucharest, Postcode 010371, Romania

Abstract

At present, Romania is benefiting of its first post-accession programming period, having the possibility to access significant funding allocated for development and reducing disparities to other Member States, but at the same time, it is required a considerable effort not only to meet the national objectives, but also the additional ones imposed at the Community level. EU utilizes several financial support instruments, which in our country, are materialized in seven main operational programmes and two complementary actions. On the other hand, by developing and implementing the Europe 2020 Strategy, EU require each Member State to meet several clear objectives, through a sustainable, smart and inclusive development. In this paper, we analyze the influence and contribution of each EU financing programme on promoting and supporting the sustainable development in Romania. Therefore, we are applying and adapting the Scoring method, in order to evaluate and prioritize the importance of the financing programmes in terms of specific investments for sustainable development, taking into account all three dimensions of sustainable development: economic, social and ecological.

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Keywords: sustainable development, financing programme, Europe 2020, Scoring Method

* Corresponding author: Tel.: +4-074-388-6518; fax: +4-037-810-6590.
E-mail address: andreea.radu@urbanconnect.eu.

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1. Introduction

1.1. Investment and sustainable development

"Sustainable development is one of the nicest, most generous and comprehensive human ideals". Popa and Popa, 2006

In the past 30 years, the global GDP has doubled, but the economic growth was based on the irrational use of resources, which have been dramatically depleted. The current economic growth rate can not be maintained, and a deadlock solution is needed and can be represented by the sustainable development. Currently, Romania can support sustainable development through investment projects financed by grants.

The investment represents expenses that will most influence the future, but it is necessary that its influence is not only positive, but also it has to overcome the current efforts to achieve the investment. In order to obtain a funding, the applicant must meet certain conditions and must achieve certain economic, social and environmental indicators.

Europe 2020 Strategy proposes a vision for Europe's social market economy for the next decade and is based on three priority areas that are interrelated and mutually reinforcing: smart growth - developing an economy based on knowledge and innovation; sustainable growth - promoting a competitive economy with low carbon emission and efficient use of resources, and inclusive economic growth - promoting a highly labor employment, generating social and territorial cohesion.

1.2. The Scoring Method

The Scoring Method is known as a method of evaluating the risk profile of an applicant in bank crediting activity, and is considered one of the most modern techniques for the "assessment and evaluation of credit applicants' characteristics, which fundaments their hierarchy, resulting in a score or an automatically calculated average". Mihaescu, 2008

The method is based on the statistical techniques of discriminant analysis, being individually calculated for each credit applicant. It is part of economic and financial analysis, representing a prediction tool, highlighting strengths and weaknesses of a company. Although this method is well known for its use in banking, is also adapted and used in other areas:

- Marketing: to evaluate database by assigning a specific score for each consumer segment, according to their likely commercial reaction;
- Knowledge assessment: to calculate a test mark when the number of points awarded for a correct response is not identical for each test item and it is required that the final note considers the responses relative importance;
- Project Management: to establish scores corresponding to the project parameters;
- Evaluation and selection of investment projects: a project evaluation committee awards points basing on a scoring scale, so the projects are prioritized according to the weighted selection criteria.

According to Robu and Georgescu, 2007, the first scoring models have been created since 1968 by the American economist Altman and French economists Connan and Holder in 1978. Each bank customizes its evaluation method, based on existing client portfolio and objectives. Currently, according to Morosan, 2006, the most complex scoring method is considered to be the Balances Central method from the Bank of France.

The scoring model consists of calculating a multiple discriminant score function (Z):

$$Z = a \cdot x_1 + b \cdot x_2 + c \cdot x_3 + \ldots + z \cdot x_n \qquad (1)$$

where $x_1, \ldots, x_n$ are the rates / criteria engaged in the formula, and a, b, ..., z are weights of significance of each rate / criteria.