

## **Abstract**

The main objective of this study is to analyse the evolution of the financing process of firms with farming and/or raising livestock activities. Secondly, the paper analyses the evolution of indebtedness and measures its impact on the performance of selected sample firms. The motivation underlying this research is connected with the fact that, on a theoretical level, as well as on an empirical one, there are several debates regarding firm financing management, but very few are centred on agricultural businesses. The most important conclusions deriving from our research are: the agricultural sector makes a modest contribution to the Romanian economy; the majority of firms in this sector depend on debt financing (which is not only rigid, but also costly); their economic performance is low (making this sector become unattractive for investors). The paper argues that debt financing is not stable, nor sustainable. This is because, although it offers a series of advantages, debt financing causes financial fragility, unlike investing the company's own capital. Furthermore, in a business environment where estimated income is uncertain, even though indebtedness level is fairly low, paying off debt can cause serious problems; any type of economy which is based on uncontrolled indebtedness will collapse eventually. Finally, we believe that firms should adopt a more prudent financing policy, able to sustain a moderate, but more stable and sustainable growth. However, we believe, for companies in the field of activity investigated, that some measure of support (by specific policies) are required, which would ensure revival of Romanian agriculture. Finally, the paper presents research limitations and new directions for further research.

**Key words:** financial structure, indebtedness, performance, financial vulnerability