



ENTREPRENEURSHIP STIMULATION POLICIES IN THE ROMANIAN ECONOMY ENVIRONMENT

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Abstract

Under the conditions of an moderate economic growth measured by GDP growth rate, both at national and at European level, it is required an analysis of the potential internal production and its concentration in order to cover in a larger extent the domestic consumption and to increase the market competitiveness of economic goods produced. Such an analysis entails identifying the relative advantages of the Romanian economy both as a whole, and at sectoral level, compared to the EU economy. This may lead to the identification of efficient branches whose exploitation to generate, on the one hand, competitive advantages, and, on the other hand, the achievement of an optimal level of production that would confer a certain level of well-being.

Key words:

Entrepreneurship, HDI, wealth, governance, Laffer curve

JEL Codes:

I38, J20

1. Introduction

The initial problem is to correctly define the factors that contribute to economic growth, namely the concept of sustainability. What contributes to the transformation of wealth into sustainable development? Can we talk about wealth at the community level, state, without favoring human development? What is necessary and sufficient to ensure the compatibility between human synergies to generate models or schemes of human development? It is possible a model of human development without prejudicing individuality and free will? Romania is on an upward trend in the evolution of GDP, Romania's GDP registered an increase of 5.1% in the last quarter of 2013 compared to the same period of 2012, which is the biggest annual advance recorded by a member country of the European Union, according to some revised estimates published by the European Statistical Office (Eurostat). In comparison, in the last quarter of 2013, the EU registered a yearly growth of 1.1% and the euro area an 0.5% advance.

Romania is among the first in the EU in terms of the economic growth registered in the fourth quarter of 2013 compared to the previous three months, with an advance of GDP of 1.5%, being surpassed only by Sweden (1.7%) and Czech Republic (1.6%). According to Eurostat, during October-December 2013, the expansion of the euro area economy accelerated to 0.3%, after a 0.1% advance in the previous quarter,

and the European Union registered a growth of 0.4% after an expansion of 0.3% in the third quarter of 2013.

Table 1. HDI Human Development Index, 2012

| .HDI | HDI - Health | HDI - Education | HDI - Income | Country |
|-------|--------------|-----------------|--------------|----------|
| 0.893 | 0.973 | 0.871 | 0.843 | France |
| 0.881 | 0.977 | 0.852 | 0.822 | Italy |
| 0.821 | 0.888 | 0.819 | 0.765 | Polonia |
| 0.786 | 0.855 | 0.821 | 0.694 | Romania |
| 0.782 | 0.845 | 0.81 | 0.700 | Bulgaria |

Nevertheless Romania records low levels of welfare measured by a composite indicator (HDI Human Development Index), three-component indicator (health, education, income) incorporating information about: life expectancy, literacy, education, the standard and the quality of life¹.

¹ <http://hdr.undp.org/en/statistics/hdi>. The first Human Development Report introduced a new way of measuring development by combining indicators of life expectancy, educational attainment and income into a composite human development index, the HDI. The breakthrough for the HDI was the creation of a single statistic which was to serve as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country

The explanations are found in the design and the implementation of economic policies, both in terms of economic and social policy strategy, and in terms of sustainable development of the economy.

Thus, the economic growth strategy based solely on processing the imported goods in order to be later exported brings little added value to the economy without a significant impact on labor remuneration.

In addition, the use of economic measures which does not contribute to the employment of human capital, to the intensive use of the production factors, or the disregarding of the advance in science and research, namely the knowledge economy, establish a pattern of unsustainable economic growth, solely dependent of external production orders - generally Romania produces subassemblies whose value added is extremely low, without a significant contribution in the labor economy - or the weather conditions that can make from the agricultural production a lever for economic growth.

Together, these elements does not constitute factors to stimulate the economy in the medium and long term, and do not determine the economy to become sustainable - based on the rational exploitation of natural resources, on incorporating the measures to stimulate the economy through the development of initiative, entrepreneurship - those only produce immediate effects, being causes of the conjectural measures and contributing to nominal GDP growth, with no effect in terms of real incomes.

To implement a strategy for the sustainable growth of the Romanian economy, structural measures are required, adapted to the specificity of economic resources, either owned and attracted, to their ability to generate results at economic level, without causing costs into the eco-economy plan through defective allocation or by mainly tracking the exclusively market competitiveness of goods based on economic or productive factors².

It is required the implementation of educational policies, in conjunction with increasing the overall level of employment through policies aimed to support the

aggregate demand growth, especially internally, in order to lay the foundation for the growth of national wealth. In order to increase the functionality and the flexibility of human capital, incentives for entrepreneurship are needed, as a core element of the development strategy.

The current context requires an innovative approach to the concepts of growth and development in line with the societal values, the norms of conduct, the factors that maintain and promote the structural economic disparities, with the incidence of psychological factors on rational economic behavior. The sustainable development strategy must assign new values to the state-market relation as active players, participatory, innovative, fair and coherent in steps taken. It takes an innovative approach to the state-market relation that will include the psychosocial component of human relations in relation to economic acts.

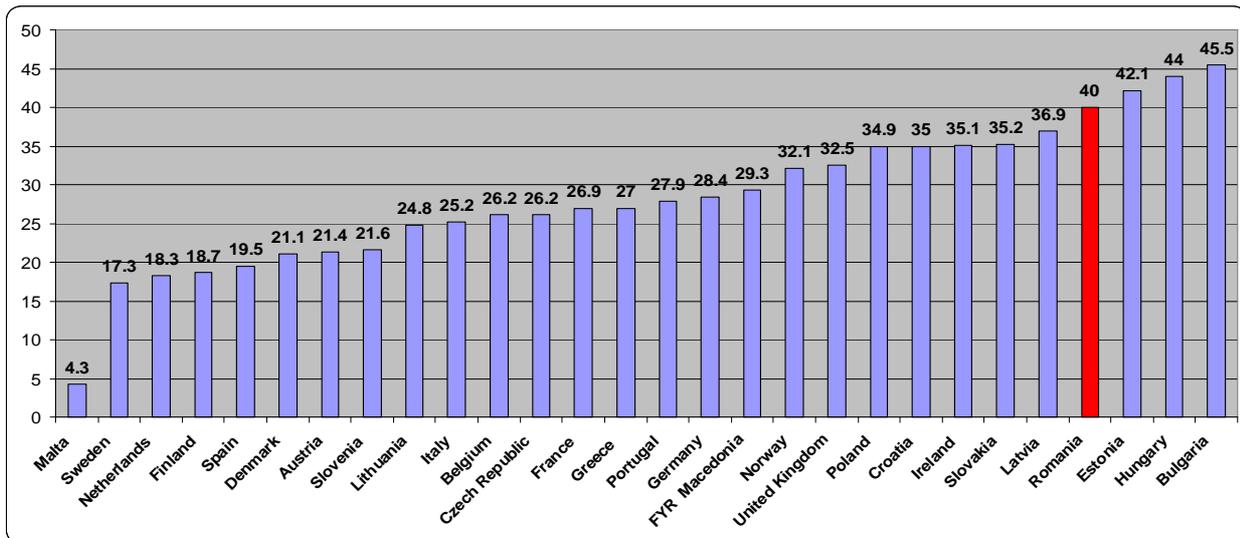
Regarding the dispersion of regional GDP per inhabitant, expressed as % of the national GDP per inhabitant, Romania is ranked 25 of 28 countries surveyed, with about 40%; worst cases registered only Estonia, Hungary and Bulgaria.

The aim of any society is the development on the line of the superior capitalization of resources, of the coverage of living needs, in order to meet wellbeing. Normally, people have expectations in relation to those stated above more from a superfluous entity, called generically state, than from itself, namely from their work. What is wrong? What is it which does not favor obtaining enough income to provide income to adequacy people? Why is wealth so difficult to obtain and especially to distribute?

To answer these questions it is required to redefine the state's role in society, the formation of the state revenues and especially the efficiency of redistribution. From this perspective, the paradigm of sustainable development in which economic and social relations encourages and directs the wealth in the society, in a definite time horizon, but large enough to take into account the expectations of the future generations, train systems and society values to find ways to solve the current problems of mankind, who have become imminent.

stands in relation to these goalposts, expressed as a value between 0 and 1.

²<http://www.weforum.org/issues/global-competitiveness>, World Economic Forum (according to the Global Competitiveness Report 2006-2007) calculates three sub-indices of competitiveness: a) the basic requirements of competitiveness (the economy based on productive factors), with four pillars (institutions, infrastructure, macroeconomy, health and primary education); b) elements to increase efficiency (efficiency-based economy) with three pillars (higher education and training, market efficiency, technological availability); c) elements of innovation and complexity (innovation-based economy), with two pillars (complexity of work and innovation).



Source: Eurostat

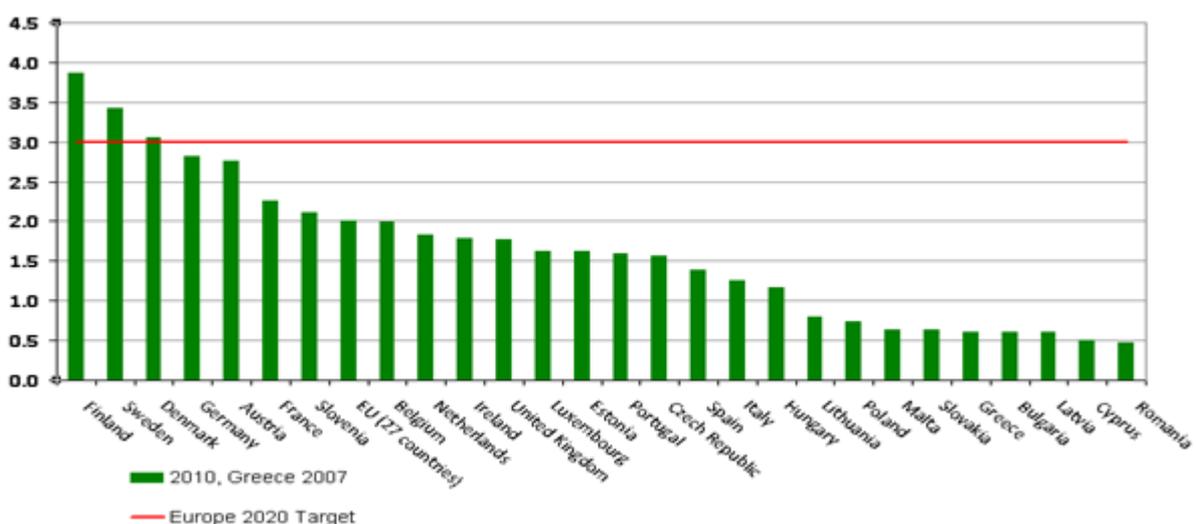
Figure 1. Dispersion of regional GDP per inhabitant, % of the national GDP per inhabitant, 2011

One possible answer to the problem of development is to promote the entrepreneurship. Entrepreneurship is the process of starting up of businesses as a result of identification of opportunities. Most times, it is difficult to initiate, requires financial and logistical support, proper risk management and a great deal of courage.

In this regard, in addition to innovative idea or that idea arising from the need to meet the needs to a certain degree of complexity or quality, it is necessary to have some knowledge about the market, together with some of monetary-financial nature. In their effort to carry out such activities, prospective entrepreneurs are supported in their attempt by a large number of

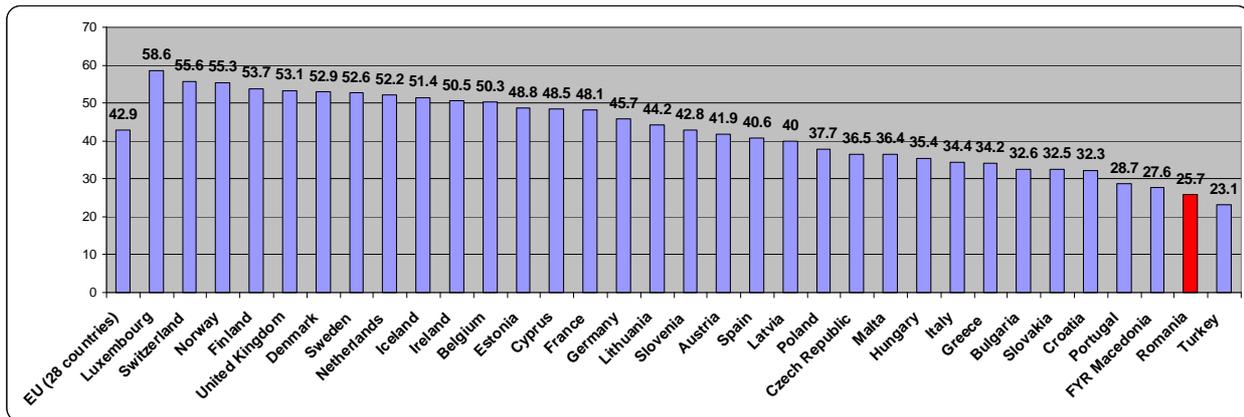
organizations - government agencies, business incubators or even NGOs.

In Romania the entrepreneurial spirit exists, but is not fructified: the young people are not motivated by the valorization of their entrepreneurial potential and verve due to the lack of support; businessmen consider gains and competition as primordial, not making room to the young people who have ideas, but lack money and experience, and have enthusiasm and may not understand the risks, but glimpse at the unexplored markets simply because their needs are different from adults, seeking understanding and support.



Source: Eurostat

Figure 2. Gross domestic expenditure on R&D (GERD), percentage of GDP



Source: Eurostat

Figure 3. Human resources in science and technology as a share of labour force, 2012

At the same time, they need support both financially and especially in the form of assistance in learning and assimilating those information more than necessary for an entrepreneur: the economic understanding of the concepts that define the entrepreneurial activity, the responsibility towards state, the responsibility towards community, the responsibility towards disadvantaged humans and the responsibility for their environment.

The transformation of the economy can be achieved by identifying those growth paths in which to eliminate the waste of resources, to introduce elements of knowledge economy and information technology, in order to reduce costs and to increase the efficiency.

Thus, analyzing the figures published by Eurostat regarding the percentage of GDP for research and development in 2010, we note that Romania is situated just at the end of the rankings, with the lowest proportion allocated:

Human resources in science and technology as a share of the economically active population in the age group 25-64 represent an indicator from Eurostat that calculates the percentage of the total labor force having either successfully completed an education at the third level in an S field of study or is employed in an occupation where such an education is normally required³. We can see that again Romania is situated at the end of the ranking (figure 3).

In order to develop the entrepreneurial policies it is necessary to adopt a fiscal philosophy with spillover effects at the economy level and hence at the business environment level. Adopting a national fiscal strategy is meant to achieve the reconciliation of private economic operators' interests with those of the public sector operators, in terms of identifying the optimal level of taxation so as to not create prejudices at the nature of

decreasing their revenue, with negative repercussions on investment and consumption.

When conceiving and implementing the fiscal policy, the government must take into account the relationship between the taxation rate and the size of the revenue collected by this means to the state budget, relation known in economics as the Laffer curve.

According to this, the optimal rate of taxation is corresponding to that level that equalizes the economic performance achieved by the economic agent, with the optimum collection to the state budget, able to ensure a redistribution of the budget revenues in order to meet the social protection functions, especially for investment in the priority areas for reducing disparities between regions and the country durable development in the medium and long term.

A rate that exceeds the optimal level has a deterrent effect on investment and employees. It is followed by production cuts, a reduced tax base, and, consequently, the reduction of budget revenues from taxes.

Analyzing the budget revenues as a percentage of GDP, 2001-2012, we can see that Romania recorded the lowest scores compared to Hungary, Poland and Bulgaria, and is situated much below the EU-27 average; this supports the idea that the fiscal policy in our country is not very effective.

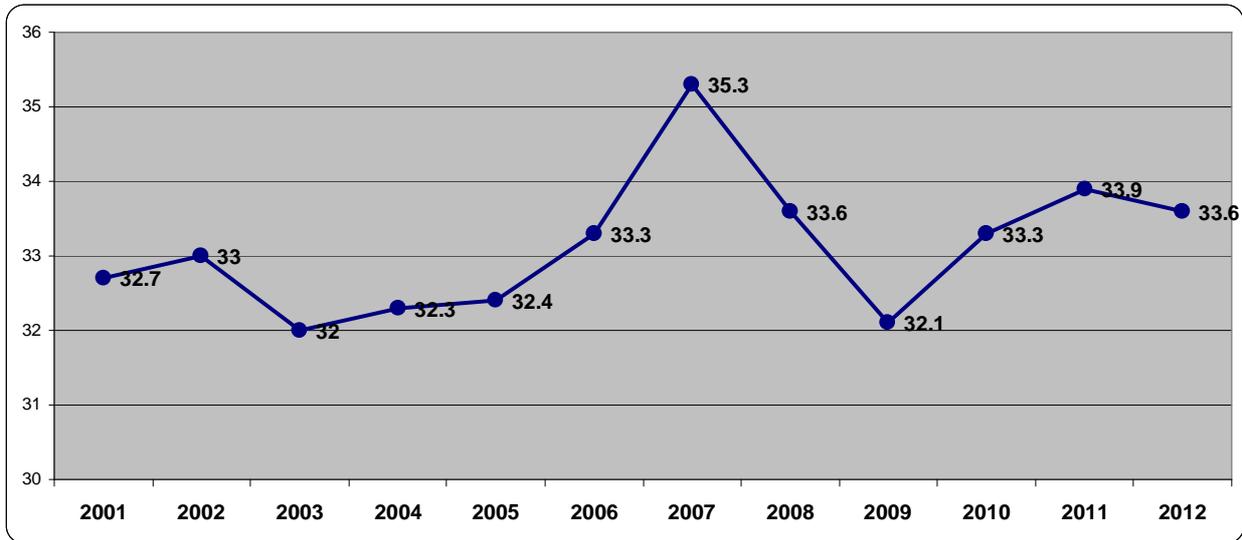
3. Conclusions

Entrepreneurship represents an instrument to increase both the entrepreneur's income and the society's welfare, stimulating the economic growth and development. It is very interesting how the modern society develops the entrepreneurial spirit and the initiative as being crucial for achieving primordial economic objectives, such as employment and wealth creation.

³<http://epp.eurostat.ec.europa.eu/tgm/web/table/description.jsp>

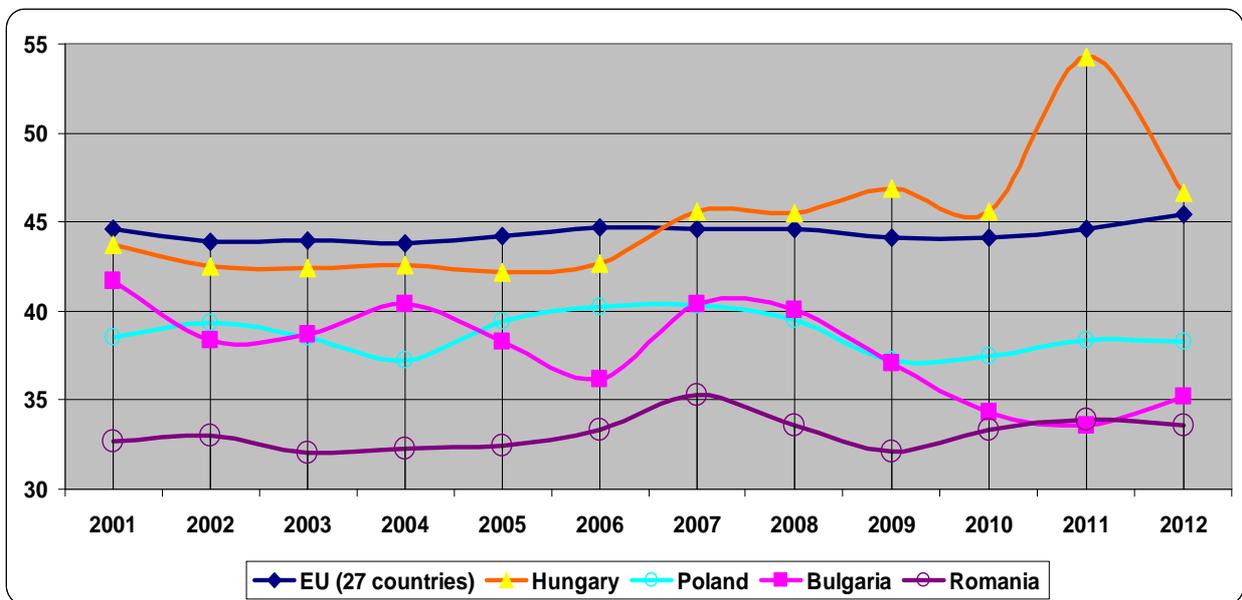
Through entrepreneurship an individual empowers his creative energies in order to obtain income sources for him and for the community from which he take part; he becomes motivated in increasing the quality of services offered to consumers, creating economic goods that meet the needs of the demand side, being forced to use his resources efficiently - exactly by the need of providing reliable economic goods; he is very interested

in his market image, which is proliferated through the image of the products made and marketed. In fact, the entrepreneur identifies himself with the community to which it belongs; he is part of the local governance system; generates wealth to the community and advocates for a correct governance system. He is, this way, a promoter for the management system of the country.



Source: Eurostat

Figure 4. The evolution of budget revenues as a percentage of GDP, Romania 2001-2012



Source: Eurostat

Figure 5. The evolution of budget revenues as a percentage of GDP, 2001-2012

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