

## ENTREPRENEURSHIP EDUCATION AND THE ECONOMY VICIOUS CIRCLES

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### **Abstract:**

*Education for sustainable development, involves training honest, active, social and creative persons for ensuring the link between environment, society, economy and politics. Trained entrepreneurs in sustainable development, are the engine system which can bring an economic prosperity. Lack of entrepreneurial education in the last 25 years has led accentuated conditions to avoiding economic development in all reference fields where added value can be achieved. Running away from excessive taxation led to the establishment of vicious circles in the economy. Vicious circles of the economy can be found in saving, tax policy, productive investment and the informal economy. Through this study will present the importance of entrepreneurship education in the real economy and some specifications to exit entrepreneurs from vicious circles of the economy.*

**Key words:** entrepreneurship, fiscal policy, educations

**JEL Classification:** A12, I 25

### **1. Introduction**

Entrepreneurship education is a mindset which can contribute to healing the economy vicious circles. Through entrepreneurship education can develop new abilities to mobilize financial resources materials and labor force which may well change both the economic and especially the social status of a nation.

Vicious circles of the economy are linked of saving form , tax policy and the informal economy and are determined by the entrepreneurs actions . Entrepreneurship education is achieved individually and depends on the skills, motivation and psychological characteristics of each. Improvements of vicious circles of the economy, business environment and existing macroeconomic conditions may contribute to straightening of entrepreneurship actions on economic development.

Entrepreneurship education can be both "recipe and medicine" needed by the people who assume a risk to start their own business. The establishment and development of a society depends on many factors and resources, including capital and qualified labor force.

Investments in entrepreneurship education will trigger initiatives on creative people to develop that entrepreneurial actions and to capitalize on their skills. Well-educated entrepreneurial qualities and stimulated by appropriate fiscal policy will increase the number of companies, well economically developed.

It is obvious that they can develop entrepreneurship activities in a stable economic framework with a level of taxes that encourage the initiators of long-term business programs.

The fundamental objective of entrepreneurship education is to train individuals with initiative to meet the conditions for the establishment and development of new firms on domestic market. Through a strong entrepreneurship are created premises for strong companies, that will signal the economic presence on international markets. Culture entrepreneurs, especially in the transition period was rush "*overnight enrichment*" and in many cases was based not on the laws of market economy, but "directed contracts" with the state budget.

### **2. Lack of entrepreneurship education**

Our country's economy passed , the transition period or duration of EU membership and the financial crisis, without a coherent program of economic and social development and without entrepreneurship education that lead to sustainable development of society. This form of education is required for all age groups and contribute to the social, economic and political life of the country.

Majority of managers of enterprises and large companies that have continued to develop after the revolution, did not have a strong entrepreneurial education. They confiscated the old economic relations and Romanian state "*tick*" state-owned enterprises and public budgets. And now are recorded many private

companies and especially national companies whose development depends mostly on the size of the public budget. The lack of an authentic entrepreneurial education based on other financial sources systematically has led to mismanagement of public funds and regular budgetary imbalances. Each time, to the analysis of budget implementation in place to reduce public expenditure on "balanced budget" policy makers have increased taxes or have committed loans from international financial institutions.

Lack of entrepreneurship education has led to *vicious circles of the economy* and the continuous pressure so-called "*political cronies*" to increase public spending, so that "*entrepreneurs*" those businesses to make the most.

Preference "*bankrupt*" of "makers" to reinforce the central role of the state in managing the economy and less the role of free markets in economic development has led economy in the state it is. The last 25 years shows that in Romania, State failed to be a good administrator of companies and firms where has been or is the owner and must play a "*supporting role*" in economic development.

Amid a fragile entrepreneurial education and the lack of a sustainable government program, current business conditions have determined economic operators to run away on the *informal economy*. Role of education holistic approach has led a certain business education on businesses. On economic society markets were formed *three vicious circles*, of saving, tax policy and the informal economy which negatively influenced the development of investment in Romania.

Lack of education on "*saving*" the financial balancing due to the tax burden, increasing year by year, postpones the real development of the economy.

"Between the three vicious circles of the Romanian economy, the vicious circle of fiscal policy plays a central role. It help to perpetuate vicious circle of saving, which was not necessarily generated on tax route." [1]

In this "*framework of entrepreneurship education*" slippages of "*fiscal policies*" were somewhat offset by "*monetary financial policy*" appropriate performed by the monetary supervisory authority.

Traditional life values require a traditional education with emphasis on the worthiness of Romanian people. In this context entrepreneurship education with accents of "*best practices of successful business*" can be a healing of vicious circles in the economy.

### 3. The vicious circle of fiscal policy

The need for a fiscal policies that generate entrepreneurial initiatives and control tax evasion is more topical than ever. To break the *cycle of fiscal policy* can be formulated measures on the new draft of the *Fiscal code*, which correlated with *measures of sustainable development* can positively influence the exit of the population from the vicious circle of savings.

Measures proposed on *the draft of the new Romanian Fiscal Code* may point out a series of reductions in taxes. Thus, helps entrepreneurs with reduced VAT rate from 24% to 20% from 2016 and 18% from 1 January 2018. Also from 2016, basic food producers may applied an 9% VAT rate.

But even in developing this new Fiscal Code were some flaws so that nothing is certain. Have appeared and proposals as eliminate tax on constructions and tax on dividends from 2016.

From the next year, duties on fuel will be reduced by a percentage between 16% and 20%, and in some product categories they will be removed. Since 2018, employer social security contributions will have to drop from 15.8% to 13.5%.

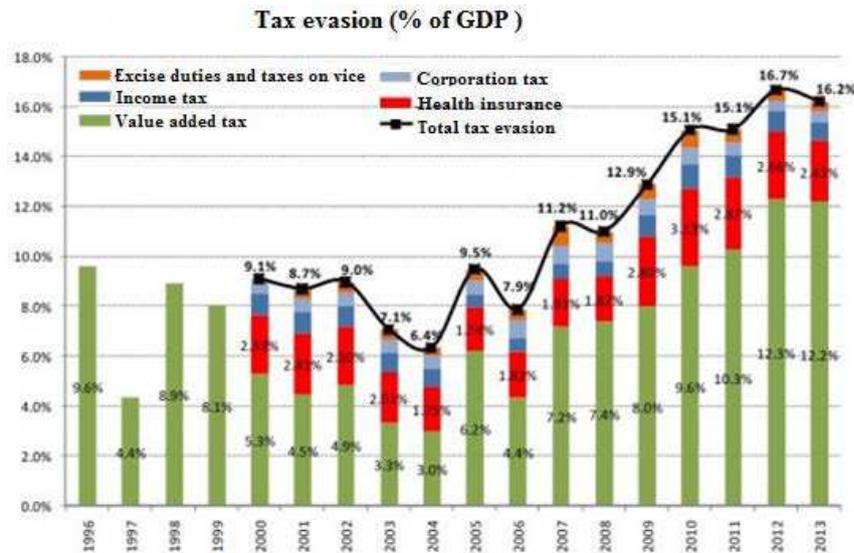
Also to improve the *vicious circle of fiscal policy* changes are proposed in terms of taxation of micro, and local taxes. This amendment concerns taxing buildings. In future tax form will be considered the destination of the building and not the legal form of the owner. Regarding *flat tax* will remain unchanged until 1 January 2019, when will decrease from 16% to 14%.

All these "planned measures" that attempts to prevent tax evasion (3) are not in resonance with achieving real convergence indicators for the euro.

In Romania, *the informal economy* reached the amount of 175 billion lei as a result of tax evasion, says a study by the consulting firm AT Kearney. Gross domestic product stood at the end of 2014 in the amount of 669.5 billion lei current prices, increasing by 2.9% in real terms compared to 2013. The tax evasion is a quarter of GDP and according to Eurostat 72 billion lei of this is related to VAT evasion.

As can be seen from Figure 1, tax evasion in Romania was 16.7% of GDP in 2012, 16.2% of GDP in 2013, and in 2014 there was 16%. This rate is high is the result of vicious circles and lack of entrepreneurial education

Figure No.1



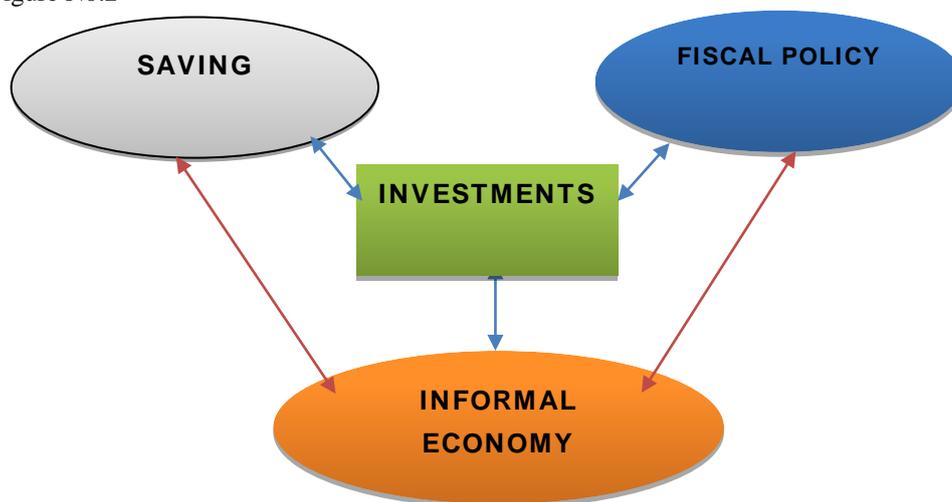
Source: National Institute of Statistics

The vicious circle of fiscal policy together with the lack of attractive offers for savings, the lack of a national investment program and especially the lack of bank lending in economic development will further fuel the vicious circle of the informal economy.

"The financial intermediation system is indispensable in relatively underdeveloped economies, where investment takes the form of liquid resources saved, to be" transformed "in terms of their degree of stability to be used to finance investments." [2]

Numerous contemporary studies found that the *three vicious circles* shown in Figure No.2 may adversely affect *investments* so necessary for the development of the real economy. The positive impact of public policy for development, would affect investments that create new jobs. This may cause the development of consumption and thus raising living standards. But, by raising taxes or fiscal policies vicious, every time state has "confiscated" saving of economic operators and caused stagnation of investment.

Figure No.2



For breaking of the vicious circles mentioned have a total restructuring of financial institutions tax. It requires a reduction of the tax collection bureaucracy. The stability of tax policies benefit entrepreneurs and full transparency of village spending will lead to a balanced budget. Also it requires reforming social security contributions on the principle of equitable treatment of taxpayers, reducing undeclared work and encourage saving.

### 3. Conclusions

Lack of entrepreneurial education led to vicious circles gain influence in the lysis of state functions. On one hand, the informal economy develops in a way harmful for society at the expense of tax evasion.

On the other hand, tax evasion being very high in Romania deprives budget on substantial amounts and helping to strengthen existing relationships in the vicious circle of the informal economy.

The lack of a national investment program showing the main investment priorities at national level leads to lack of jobs will continue to negatively affect *savings*.

*The vicious circle* of fiscal policy is intended to cause damage risk perception towards Romania and can help to reduce potential investors.

Entrepreneurial education aims to educate individuals in the spirit of fiscal discipline, promote creativity, innovation and free activities. Entrepreneurship education should not be confused with general business or economic studies which are in fact acquired knowledge of a successful entrepreneur.

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