

---

## THE EVOLUTION OF THE AUTOCHTHONOUS CAPITAL INVESTMENTS

**Prof. Constantin ANGHELACHE PhD.**

*Bucharest University of Economic Studies, "Artifex" University of Bucharest*

**Prof. Alexandru Manole PhD.**

*"Artifex" University of Bucharest*

**Assoc. prof. Aurelian Diaconu PhD.**

*"Artifex" University of Bucharest*

### Abstract

*This paper reflects the authors' research on the internal investments, with sources drawn from autochthonous capital. These investments corroborate with foreign capital entrances, and the development of autochthonous investments will contribute to the increase of the overall investments, and also to the overall increase of the economic results. The article describes the legal and practical difficulties in attracting Romanian capital, and also the perspective of the investments for the following period is analyzed.*

**Key words:** *investments, capital, influence, legislation, financing sources*

So far we discussed the subject of the way in which the investment of foreign capital has been made in our country. Definitely this does not mean that the subject of drawing investment of autochthonous capital should be neglected. Although the Romanian capital should have benefit of an increased attention, in fact the investment of autochthonous capital has been hampered because of lack of financial means, the impossibility for certain individual or legal persons to attend certain projects, either independently or in collaboration with foreign commercial companies. Unfortunately, due either to populism or to lack of expertise, the steps in his field have been put with the wrong leg foremost even since the year 1990. For instance, the famous "social parts" (about 38 billion of lei at the level of the year 1990, namely about five billion of USA dollars) passed automatically from the production sphere (as financing source) to the consumption sphere. This movement has been achieved on the ground of the lack of productive activities and stocks of goods needed by the population, involving a double negative effect: first of all, the funds for development diminished and, secondly, a surplus of monetary mass has been generated, without a proper cover in goods and services at the level of prices of the year 1990.

The social parts existing in 1990 should have been transformed into shares, founding thus the embryos of the privatization in Romania. Simultaneously, in this way, the inflation would not have gotten the signal to develop by the unbalance of the relation between the limited volume of goods and services, on one side, and the monetary mass extremely large at the population disposal on short term by that time, on the other side.

Under these circumstances, the legislation concerning the commercial companies, although positive in its spirit, was not able to create but the framework for the affirmation of the free initiative and the market economy mechanisms which, in the absence of a real and substantial autochthonous capital, could not generate wide-spreading developments.

---

The fact that over a long period a mixt structure of the economy has been maintained through the co-existence of the private sector in process of getting formed, represented cvasi-exclusively by the small and medium companies, with a state-owned or mixt sector at the level of the large economic units, at its turn subject of successive and difficult formulas of privatization, was not of the kind to confer, at the level of the overall economy, that positive trend assumed by the process of reform. On the contrary, as the time passed and under the impact of a number of steps of economic and, mainly, fiscal, policy, the large economic units have been de-capitalized and depreciated so that their privatization became, irrespectively of the forecasted method, hard to achieve or, to the best, achievable under ridiculously low-price conditions.

Simultaneously, the private sector, represented by the small and medium companies, facing at its turn the same regulations, recorded, after an initial period of effervescence, a similar process of de-capitalization and regress. Significant as to this phenomenon is the contribution brought by the private sector to the state budget and the social security budget, which counted for over 64.3% for the year 2014, and for about 63.9% for the first seven months of the year 2015.

In the privatization process, the subject of resorting to massive credits is out of question when the national currency is an expensive one, the real positive interests currently run by the commercial banks are very high while the investments could bring back income within a future period only. Consequently, it is understandable that even the ones showing great wish and expertise for the privatization process have to blur their ambitions and thoughts when perceiving the danger implied by such a perspective.

This is why it is of a maximum importance that even now, at the ultimate hour, the process of privatization, reform and economic restructuring starts from the real analysis of the existing situation on the capital market in our country, characterized by the lack of attractiveness for the foreign capital wished to be invested in Romania as well as by the shortage of the financial means which the economic agents from our country have to face. On a long-run basis, it is inefficient that the amounts resulting out of the privatization process are utilized as income to the state budget instead of being concentrated in funds meant to secure the re-technologizing process as well as the preparation of certain commercial companies and state administrations for privatization.

Of course, it is much easier to act likewise but there is the risk that our country is drained even more of financial resources suitable for utilization in the frame of the privatization process. The fact that practically all the big privatizations are subject of large volumes in work, included of open by the prosecutor's office has to be underlined as well. Not to mention certain other files being closed through the saint "prescription" of the facts.

A series of significant aspects concerning the investments of foreign and autochthonous capital have been largely discussed in the chapter one, so that it would be futile to repeat those elements once again.

---

### **Prospects of the investments for the forthcoming period**

Further on, the attention will focus on the aspects depending traditionally on us. Thus, in the context of the developments recorded during the period 2000-2014, there is the fearing that the “ship in drift” which is the national economy, will keep of being difficult to straighten out. As a matter of fact, the foreign investments will depend on the perspective that the “new government” has an anti-crisis program, for bringing to an efficient state the national economy, while the domestic investments will depend on the existing resources, the exemption of taxation for the re-invested profit etc. On an immediate perspective, there is the danger of consuming the small financial reserves still existing, of getting an increased public debt, of diminishing and deteriorating on long term basis certain components of the national wealth so that the further restructuring of the national economy becomes even more difficult if not impossible.

This is why, under the present state of crisis, it is compulsory to conceive and reinforce a supporting system for the private sector, namely for the small and medium companies.

In this direction steps to take are compulsory, such as:

- Improving the legislation in the domain of drawing investments of foreign capital, by offering particular guaranties and government guaranties to those coming with major projects, of interest for the national economy of Romania, the forecasted amounts for investments to count for millions of dollars;
- Secondly, it must be considered the fact that the privatization of certain elements of infrastructure or even of certain commercial companies which, even if facing financial difficulties, they are representing, through the supply of financial sources, a potential of production in the future, is prepared along with adequate conditions for a real competition in the process of their privatization;
- For the autochthonous capital it is of maximum importance that conditions are created so that the profit obtained in major investments is drawn, by creating fiscal facilities;
- For stimulating the investments of autochthonous capital, the possibility of certain financing, granting credits in advantageous conditions and, mainly, the access to the European funds must be considered as well.

Basically, the achievement of investments by the Romanian entrepreneurs, materialized in objective, is representing a process to create national wealth so that there is no risks if, under given judicious conditions credits are granted. Even if these credits would be no more available for reimbursement, the projects can be take over and further developed if they were well considered and built up.

This kind of steps must be compulsory accompanied by a package of programs meant to aim the increase of the labour productivity and the efficient implication of the active population in useful, required and profitable activities, for both individuals and society. Right now, in the middle of the economic crisis, it is difficult to quantify the way in which sources for investments will be allocated or the foreign ones will be drawn. This is the domain to which the best attention should be paid in order to find out also the way to get out of the crisis.

---

#### References

- Anghelache, C. (2015). *România 2015. Starea economică pe calea redresării*, Editura Economică, București
- Avram, A., Hetes, R., Crâsneac, A. (2014). *Fiscal and Monetary Policies' Impact on Investment in Romania*, Ovidius University Annals, Economic Sciences Series, Volume (Year): XIV (2014), Issue (Month): 2 (May), pp. 423-428
- Morariu, A., Crecană, C.D. (2009). Real Estate Investments In Romania - Analysis And Tendencies, Theoretical and Applied Economics, Volume (Year): 05(534) (supplement) (2009), Issue (Month): 05(534)(supplement) (May), pp. 28-32
- Precup, M. (2015). *What Drives Private Equity Investments in Romania?*, Studia Universitatis „Vasile Goldis” Arad – Economics Series, Volume (Year): 25 (2015), Issue (Month): 4 (November), pp. 25-42
- Vîrlănuță, F.O., Nechita, D. (2013). *The Mutual Investments in Romania - Current Developments and Trends*, Economics and Applied Informatics, Volume (Year): (2013), Issue (Month): 1, pp. 73-76
- Zaman, Gh., Geamănu, M. (2010). *Foreign Direct Investments And Domestic Investments In Romania In The Economic Crisis Period*, Annals of Spiru Haret University, Economic Series, Volume (Year): 1 (2010), Issue (Month): 1, pp. 107-112
- [www.insse.ro](http://www.insse.ro)