

FACILITIES GRANTED TO STUDENTS FOR BUSINESS DEVELOPMENT

CLAUDIA ISAC *

ABSTRACT: *Starting from the important contribution of SMEs to the economic growth and from the reality that social and economic effects arising from their development is an engine of the national economy, we have highlighted the arguments of setting up there stereotype companies. Thus, in the first part of the paper we have presented, in addition to the defining characteristics of the facilities awarded to students for initiating a business, their role for the development of entrepreneurial attitudes. In continuation of this work I have highlighted the benefits of setting up such firms, advantages that cover both organizational and financial aspects, namely tax breaks and other facilities granted to finance the company's activities. Toward the end of the paper I did a statistical analysis on the evolution of the number of companies set up by students, based on different criteria, such as: the evolution of the number of companies in operation or removed from register, the number of companies/capita, the number of firms by geographical areas, etc. At the end I have highlighted several conclusions on the importance of encouraging entrepreneurial competences and the creation of a legal framework and tax incentives.*

KEY WORDS: *entrepreneur, SMM, entrepreneurial phenomenon, entrepreneurial activities, LTD-Student, tax advantages, entrepreneurial competences, statistical analysis, economic growth.*

JEL CLASSIFICATIONS: *D21, L26.*

1. LTD STUDENT – LEGISLATIVE ASPECTS, ADVANTAGES, IMPLEMENTATION

A distinctive feature of developed economies is the vital role of entrepreneurship as a central pillar of economic growth in a context where motivated entrepreneurs are ready to take risks, establish new companies and thus creating new jobs.

In particular, rapid technological developments continue to generate new businesses and lead to the development of existing ones, being a decisive factor in

*Assoc. Prof., Ph.D., University of Petroșani, Romania, isacclaudia@gmail.com

adapting to new market opportunities, in acquiring new knowledge and increasing productivity

In order to create favorable circumstances to materialize current opportunities for the economic development of Romania and to stimulate the business environment it is necessary that the State be directly and indirectly involved in building a portfolio of tools that encourage the setting up and the development of small and medium-sized enterprises.

In this context, a particularly valuable target group is young people. In order to encourage entrepreneurship among them, it is important to take measures which aim at the following:

- Ensuring an integrated and consistent training in the field of entrepreneurship starting from the early ages through preschool education, primary and secondary schools, high schools and even universities in the context of a public social program with a view to develop entrepreneurial skills;
- Producing mass media programs with direct implications on all categories of people of different ages in order to induce a favorable attitude towards the business environment and entrepreneurs;
- Establishing an institutional framework which provides free counseling with regards to setting up or developing a business, offering fiscal, accounting and legal advice to entrepreneurs or potential entrepreneurs;
- Implementing advantageous financial support programs in order to set up a business and for investments;
- Creating advantageous fiscal instruments such as the reduction of profit tax;
- Providing fiscal conditions according to the fields of activity which are considered to be flagships for the national economy, such as the IT industry or scientific research.

As of 2003, in order to boost entrepreneurial activities, certain financial facilities are granted to students who attend higher education at an accredited educational institution, students who are at least in the second year of study, have a minimum number of credits needed to graduate as required by the by the University Senate and are not over the age of 30.

The accredited public or private institution of higher education must make sure that the applicant student meets these legal terms and conditions, issuing a certificate in this respect. The applicants may be students or graduate students from any form of education -full-time learning, part-time learning or distance learning – regardless whether they are attend accredited or provisionally authorized programs.

These facilities shall be granted for setting up only one company, regardless of its legal form, individually or together with other students provided that they meet the conditions set out above.

There are also cases when these facilities cannot be granted:

- if, within a period of 3 years from the registration of the company its equity interests or shares are totally or partially transferred/leased, the company is obliged to reimburse, in full, the amounts which have been exempt from taxes;

- they are not granted if the company was acquired by transfer of equities from another individual;
- foreign students admitted into an institution of higher education in Romania and attending an accredited or provisionally authorized program of study do not benefit from these facilities.

According to Government Ordinance HG no. 166/2003 [21] students who wish to set up and develop a business can apply for the following tax exemptions and charges:

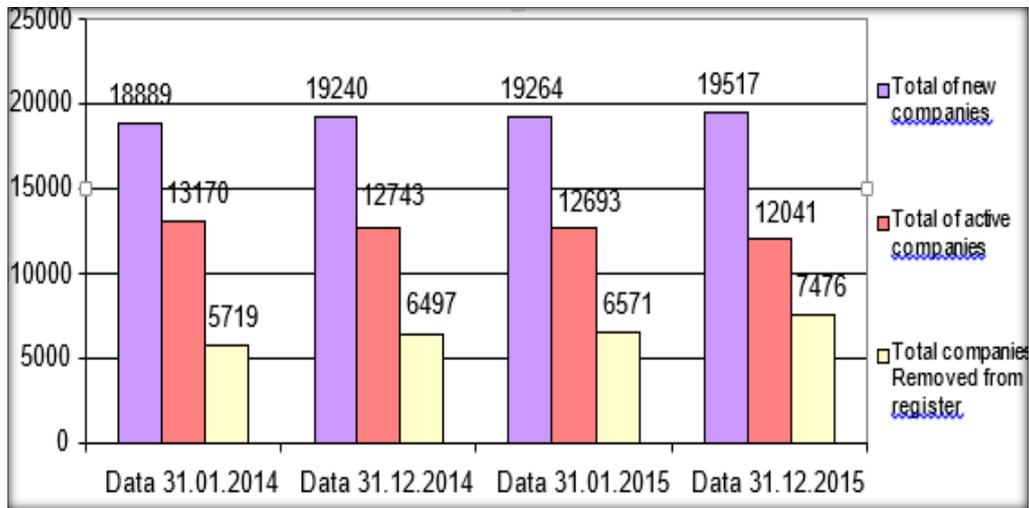
Table 1. Financial situation required for a student to set up a company and taxes that can be exempt from payment according to Government Decision no. 166/2003

Type of charge	Value (lei)	Tax exemption for students according to Gov. Decision no 166/2003
Checking availability and choosing a company name	75	-
Submitting the share capital to a chosen bank	200	-
Drafting of the Articles of Association (by-laws) and statements (affidavits) of the shareholders and directors	50-75	-
Local Trade Register fee	250	X
Other taxes representing a percentage of the Local Trade Register fee - 50% Liquidation fund and 10% Insolvency report fund set out by Law no. 85/2014	150	X
Total charges for setting up a company	725-750	-
Total charges paid by students	325-350	

The money spent to establish a private company is less than the amount paid by entrepreneurs who cannot take part in this program. To be more precise, a student will spend 325-350 lei, which means by approximately 400 lei less than the total cost of 725-750 lei.

2. STATISTICS REGARDING LLC-STUDENT

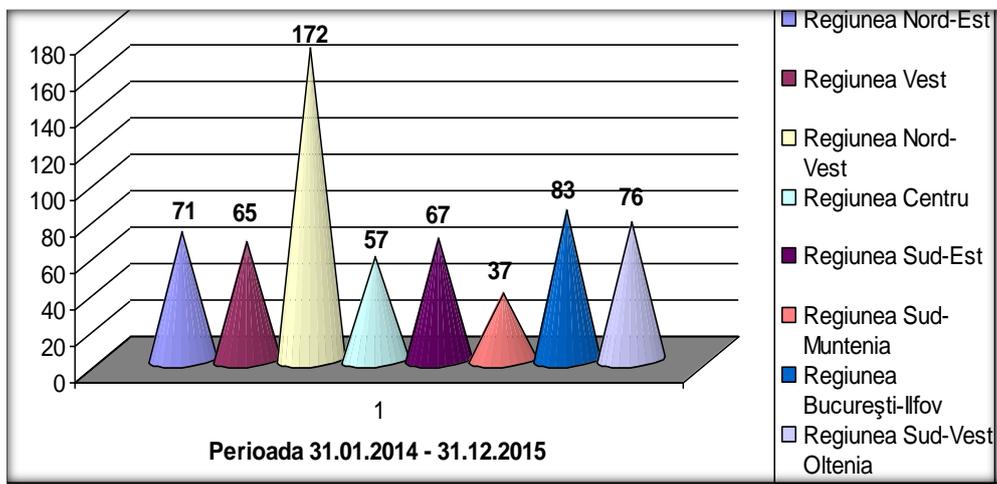
The chart below with regards to the company facilities granted to students shows the fact that in 2014, between January 31st and December 31st there was an increase in the number of companies set up by students by only 1.85%. With regard to active companies there is a decrease in their number by 3.24% and from the point of view of the companies removed from register there has been an increase of 13.60% in 2014.



Source: <http://www.onrc.ro/index.php/ro/statistici>

Figure 1. Statistics of company facilities granted to students for new companies, companies in operation and removed from register between 2014 and 2015

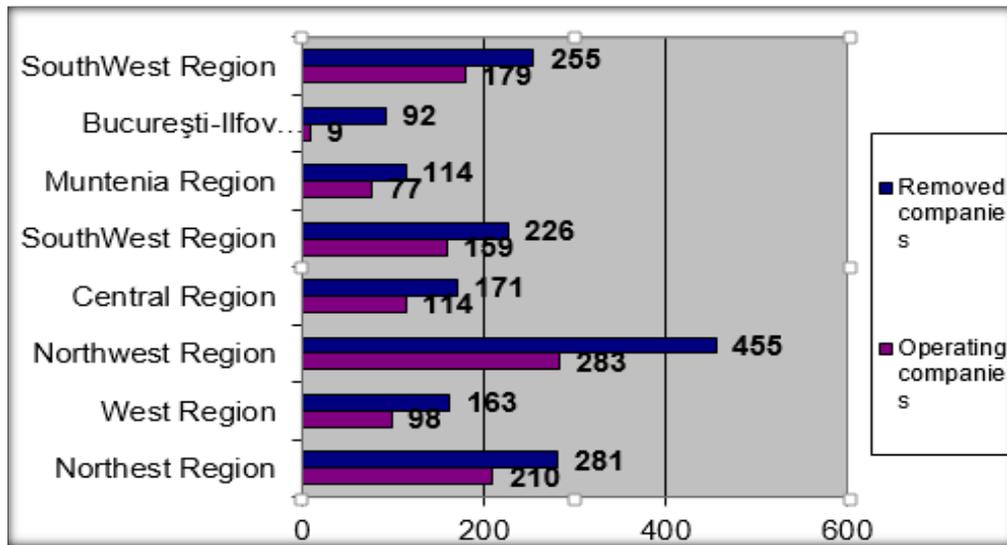
In 2015 between 31.01.2015 and 31.12.2015, the number of companies set up by students went up by only 1.31%, whereas the number of active companies decreased by 5.13%, and the number of companies removed from the register increased by 13.77% during 2015.



Source: <http://www.onrc.ro/index.php/ro/statistici>

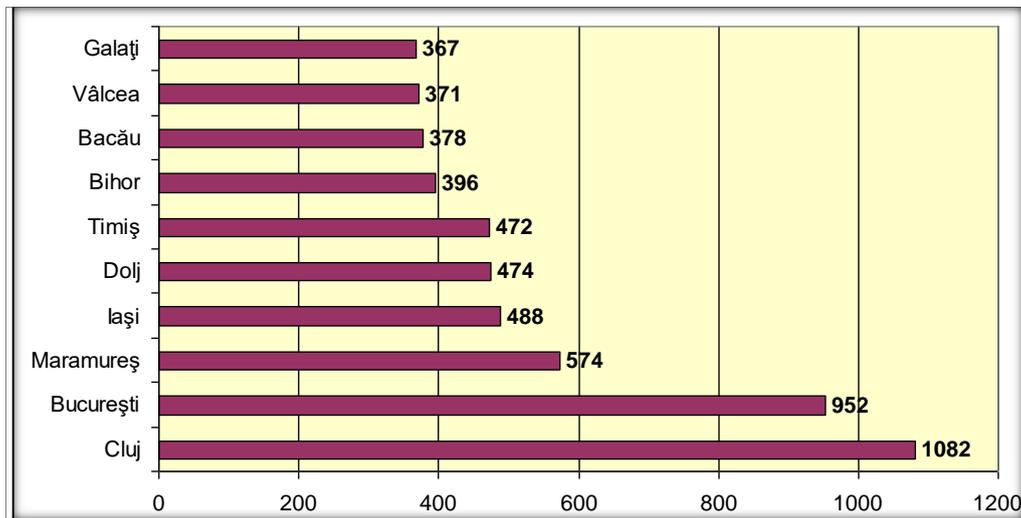
Figure 2. Statistics by regions of company facilities granted to students between 2014-2015

Overall, as regards the companies set up by the students, the number of active companies and the number of those removed from the register, it appears that the variations recorded in the two years 2014 and 2015 respectively had approximately close values.



Source: <http://www.onrc.ro/index.php/ro/statistici>

Figure 3. Statistics by regions of company facilities granted to students for setting up, operating and removing companies from the register between 2014 and 2015



Source: <http://www.onrc.ro/index.php/ro/statistici>

Figure 4. Statistics by county of company facilities granted to students for setting up, operating and removing companies from the register by 31.12.2015

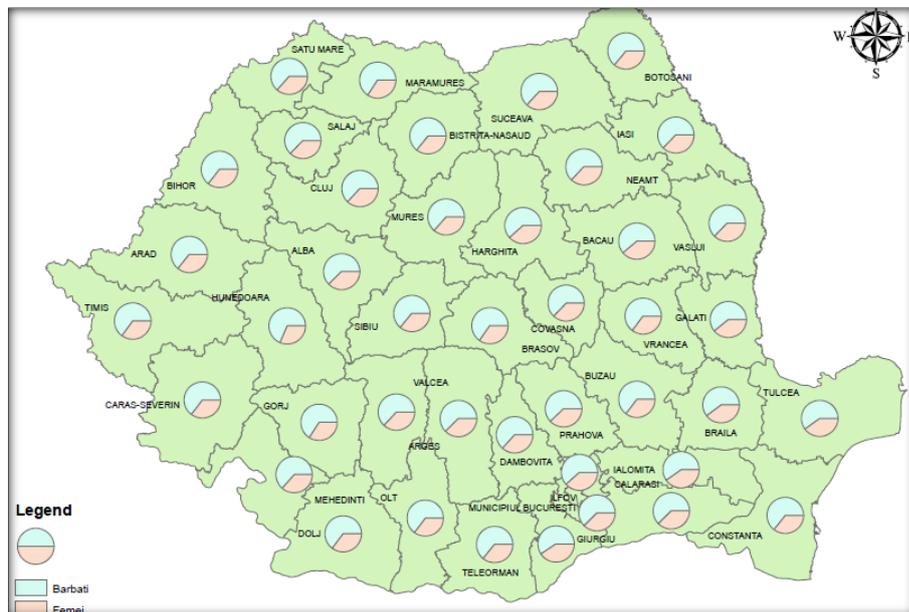
The previous chart shows the evolution of facility companies set up by students during the period 31.01.2014-31.12.2015. As one can notice the region with the highest number of such companies is the Northwest Region, followed by: Bucharest-Ilfov Region, Southwest Oltenia, the Northeast Region, the Southeast Region, the West Region, the central region and finally South-Muntenia (figure 3).

From the point of view of facilitative/beneficial companies still in operation during the years 2014 and 2015, they registered decreases in all regions, therefore on 31.12.2015 the greatest drop down was registered in the Northwest Region, followed by the Northeast Region, the Southwest Oltenia, the South-Eastern Region, the Central Region, the West region, South-Muntenia and lastly Bucharest-Ilfov Region

The number of companies removed from the register increased in 2014 and 2015 in all the regions of the country, therefore on 31.12.2015 compared to 31.01.2014 the regions with the most removals were ranked in descending order as follows: the North-West Region, the North-East Region, South-West Oltenia, the South-East Region, the Central Region, the West Region, South-Muntenia and Bucharest-Ilfov.

In conclusion the ranking of regions considering the decrease in the number of facility companies set up by students and which are still operating is the same as the ranking by the number of facility companies removed from the register.

The chart from above presents a statistics on the situation of company facilities granted to students for companies which were active on the date of 30.04.2016, and one can notice that counties are ranked in descending order: Cluj, Bucharest, Maramureş, Iasi, Dolj, Timis, Bihor, Bacău, Valcea, the last one being Galati.



Source: <http://www.onrc.ro/index.php/ro/statistici>

Figure 5. Statistics regarding the sex of the students who set up companies and were granted facilities due to the Gov. Decision no. 166/2003

Even though in some counties there is a certain number of companies established by students who have benefited from financial facilities, the following chart shows that in all counties the majority of associates or shareholders are men, while women represent a nationwide average of 38% during the period 2014-2015.

3. CONCLUSIONS

At European level and not only, SMEs set up by young people are considered a key factor for the economic growth, a source for innovation, employment and social integration. The flexibility and adaptability of young people as shareholders and associates are essential traits for overcoming periods of economic slump, being highly relevant to the present period of recession.

In conclusion, because of an economic environment which is constantly changing, the stimulation of businesses among young people represents a catalyst for entrepreneurship and economic growth.

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