SECTION I.
Politics and models of economic growth

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THE IMPACT OF GOVERNMENT IMPLICATION IN THE ECONOMICAL ACTIVITY IN SOME INDUSTRIAL ENTERPRISES IN THE REPUBLIC OF MOLDOVA

The economical and fiscal Reform in the Republic of Moldova has promoted the formation of the fiscal system, in concordance with market economy. At first the accent was made on the macroeconomic accent, and then on the microeconomic one. It is necessary to mention the importance of insurance of the government’s costs and to restructure the fiscal system in an instrument of management in economical activities. Nowadays the fiscal function of taxes is more commonly encountered, limiting the function of economic branch.

At the microeconomic level, until now there was predominant a single criteria – the comparative analysis of the fiscal pressure, in the Republic of Moldova, as in other Eastern countries. But the economical and financial state of the Republic of Moldova is of no comparison with the reality from other Eastern countries. The enterprises are in a search of a place on the market. The processes of modernization and recycling are at an extremely low level, this fact makes it even worse for the existent cash fond and destructive consequences for the industrial economy as a whole. As a consequence of the previously enumerated two, the equilibrium between those two tax functions; is necessary.

Nevertheless we have to remark that the industry since 2002 has positive changes in what concerns investments. The sums invested in production and upgrade of machinery of this economical sector have indexed a increase and in the year 2007 the investments have reached a sum of 14936 leis; that is about five times the sum that was indexed in 2002.
All these circumstances considerably multiply the pressure on NET benefit for those enterprises. Taking consideration of these conditions, the economical consequences of repartition of benefit, for current expenses could be less favorable.

For making entrepreneurial activity more efficient, in the past two year there were made some reforms in legislation that affect liberalization of economy in the Republic of Moldova.

One of the modifications concerns fiscal amnesty. The role of which is the possibility to redress the activities of some enterprises, which because of the debt to the budget couldn’t activate normally. The essence of fiscal amnesty is to cancel the fiscal debt to the government to the situation from 01.01.2007. As a result there was improvement of the financial indicators of native enterprises and supplementary possibilities to attract investments.

Another modification in the fiscal code offers economical agents the possibility to legalize their capital in a confidential manner, paying to the state’s budget only 5% of the difference between the declaration value and the value estimated before. (This legalization affects all forms of capital).

For the economical agents to redirect all of their income in company development, dating the year 2008 the tax on income for reinvestment will be 0%. Nevertheless if the economical agent decides to repartition some of the money to the personal consumes, in such case the tax will be applied in the percentage of 15%.

In our opinion, the enrollment of these modifications will increase the level of investments in development and growth of companies; and will stimulate foreign investors to invest in national economy.

Next we will analyze the variants of calculations, which reflect the consequences of different benefit repartition practices.

The fiscal politic represents a macroeconomic instrument, best managed by the government. Also, the fiscal pressure influences directly the evolution of development factors – the economy’s mainstream. From this point of view will be examined the influence of taxes over the economical activity.

The Indirect Tax represents a predefined part, in conformity with which the potential profit is repartitioned between the state and the subject of production. It is evident that this part influences the reproduction processes and economical development as a whole. The process of indirect tax obligation has a dynamic character. The predominance of government’s fiscal interests disturbs the development
of production in the future and as a consequence the state’s income from tax obligation. Setting lose the fiscal pressure, in the present, with the condition of making an intense investment program, would increase the production volume in the future.

In conformity with real facts, there were investigated 20 enterprises from different spheres of Moldova’s economy and a computerized model was created. The analysis of the results is presented below. Next we form principles that present the base part of the model. In the analysis there were used two schemes.

The process of investment of NET benefit was modeled by four variants: total refuse of consume of a part of NET benefit; the investment of a part of the benefit, that remains after consume; total investment of the NET benefit. The sums that are necessary for investment in the capital fond were evaluated taking in account inflation; were utilized the productions factors of machine construction branch from the Russian market and the construction material’s production from the national market.

By this information the growth of enterprises’ potential, rhythms were analyzed, and the production rhythms. There were made prognoses about the volume of the income in the state’s budget.

We confide in the fact that the actual enterprise potential isn’t utilized in sufficient matter. This fact can’t serve as a concluding argument for stopping the process of technical renovation.

The theoretical bases of indirect fiscal obligation are very complicated. At first we have to find the point of equilibrium between the fiscal interests and the principle of social acuity.

These taxes are paid by the population including the ones that are less insured, who get their funds from the state’s budget. Nevertheless, it is necessary to mention that we don’t support the opinion concerning the neutrality of indirect taxes, and concerning economical activity. In condition of equilibrium of prices, the application of these taxes leads to redistribution of benefit in state’s favor. If not to mention the cases when, the application of indirect taxes provokes overcoming of prices of equilibrium; the fact that leads to excess of supply.

The mechanism which transfers financial flow in the social fund; and in the pension fund allows us to make a conclusion about the possibility to define these matters as indirect taxes. The fact that; in case this flow doesn’t get to the state’s budget and doesn’t provoke
essential modifications in their classification. We consider that from methodological point of view it is possible to sum all indirect taxes, including the allocations made above. The obtained sum makes the measure of indirect tax pressure over the customers.

The research was made over authentic data, confirmed by the chief-accountants of the respective enterprises and can be complete only taking in consideration the level of concurrence on the internal market.

The elaborated prognosis shows an intense correlation between the funds for development and the budget’s income. With the help of calculations, was demonstrated that the maintenance of existent practices of redistribution of NET benefit, will lead to a considerable decrease in production volume and in budget’s income. Only implementation of a reasonable politic to enterprises in what concerns investments, the growth of economical activity, the increase of population’s occupation, the increase in salary would provoke step by step development, with positive consequences over the increase of the industrial system.

We present the generalization diagrams, which include the results of the experiments.

![Diagram 1. Income in the state’s Budget from construction enterprises](image)

The conditions of function ability of an enterprise allow the accumulation of profit from economical activity. That is why the last three variants (which are based on private resources and loans) make a weak growth. The growth isn’t present only in the first variant the fact that denotes that economical potential of these enterprises can demonstrate a considerable growth in time.
Diagram 2. Income in the state’s budget from enterprises that make furniture

The conditions of function ability of enterprises that make furniture don’t allow them to accumulate big profits from economical activity, because of the concurrence from import. That is why the first three variant, based on own resources don’t show a considerable growth. The growth takes place only in the 4th variant, but a more detailed analysis shows us that this doesn’t correspond to reality. The market doesn’t have interest in that kind of activity.

Diagram 3. Income in the state’s budget from “Farmaco” A.S.

The conditions of function ability of these enterprises don’t allow accumulation of big profit from economical activity. That is why the first three variants, based on own resources don’t show a sufficient growth. The growth takes place only in the fourth variant, the fact which demonstrates that these enterprises can present a considerable growth in the future.
Diagram 4. Income in the state’s budget from “EFES Vitanta Moldova Brewery” A.S.

Diagram 5. Income in the state’s budget from agricultural activities

Diagram 6. Income in the state’s budget from “VISMOS” Enterprise
The conditions of function ability of these enterprises allow accumulation of profits from economical activity. That is why the last three variants (based on own resources and loans) make a considerable growth. There is no growth in the first variant however, the fact that denotes that the economical potential of these enterprises can score a considerable growth in the future.

Existent enterprises are divided in 4 distinct groups:

Moldova’s industry structure includes 20 types of activities grouped as follows:

**The 1st Group** – types of activity based on prime material and destined for internal market:
- Food industry;
- Production of other goods from non metallic mineral materials;
- Cosmetic and Perfumery industry;
- Recycling;
- Production of elements for construction, production of wooden boxes.

**The 2nd Group** – types of activity, based on prime material, on complimentary articles for import, with a high grade of competition:
- Production of textile products, clothing, leather tanning, production of articles for travelling, shoe production;
- Production of machinery and equipment.

**The 3rd Group** – types of activity, based on prime material, on complimentary articles for import, with a low grade of competition
- Furniture production;
- Chemical material or pharmaceutical production;
- Paper production;
- Plastic production;
- Production of finished metal articles.

**The 4th Group** – enterprises that have scientific profile, which need realization of special restructuration programs, just as programs of investment attraction:
- IT technologies;
- Production of instruments.

In the structure of industrial production the biggest part is held by the first group, they get 50% from the total volume of industrial production. The percentage of facilities with high VAT and which have the possibility to fabric scientific products that are demanded on the
world market, the last indicator is of about 0.2% and in EU countries it is about 20% high. High percentage of enterprises with old machinery (or handmade) determines a low efficiency of production of entire Moldovan industry.

The growth of efficiency is also because of the state politic, which was forced to raise the salaries and to decrease the poverty that was in the country and to contribute to the raise of the income of the population. In consequence the level of salary increase has overcome the work efficiency. As follows in 2000-2005, this indicator has increased with only about 70%, while the salaries were raised by 2 times.

The internal consume market capacity development continues, mainly from the citizens that work abroad and send money. On the background of a decreased level of production this considerably increases the level of import, the fact that disturbs the marketing balance, which in 2005 was of about 1 milliard USD, therefore the economical risk of the state increases.

In our opinion, the measures proposed suffer from lack of determination. The problem is much more serious and is seen in the fact that enterprises don’t submit their production activity in settlement accounts. Barter relations and operations with money realization and operations with cash that go through settlement accounts of third party organizations are predominant.

**Bibliography:**

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