INTERNATIONAL CONCEPTUAL REFLECTION ON THE FINANCING OF ECONOMIC ACTIVITY

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Novelty of this article is determined by the importance and impact that international donors have on economic activity of Romania. The main purpose of the article is the theoretical foundation in the development of methods to streamline the functioning of the Romanian economy under international funding; for this purpose, the following methods have been used: grouping, categorization, methods of analysis, synthesis, extrapolation complex treatment processes economic. The main scientific results obtained in this article, result of research consists of all problems solved, and also the conceptual and practical concept attracted international financing to develop the economy, arguing its role and effectiveness in transforming the economy into one innovative.

Key words: *financial funds attracted, international financial operations, foreign direct investment, effects, economic growth, impact, contributions.*

Actualitatea prezentului articol este determinată de importanța și impactul pe care îl au finanțările internaționale asupra activității economice a României. Scopul principal al studiului constă în fundamentarea teoretică, în elaborarea metodelor de eficientizare a funcționării economiei României în baza finanțărilor internaționale, fiind utilizate următoarele metode: gruparea, tipologizarea, metodele de analiză, sinteză, de extrapolare, de tratare complexă a proceselor economice. Principalele rezultate științifice obținute, ca urmare a cercetării, rezidă în totalitatea problemelor soluționate și, totodată, în generalizarea conceptual-practică a conceptului de finanțare internațională atrasă în vederea dezvoltării economiei, argumentând rolul și eficiența acestuia în transformarea economiei în una inovațională.

Cuvinte-cheie: *fonduri financiare atrase, operațiuni financiare internaționale, investiții străine directe, efecte, creștere economică, impact, contribuții.*

Актуальность данной статьи определяется значением и влиянием которое оказывает внешнее финансирование на экономическое развитие Румынии. Основная цель данной статьи является теоретическое обоснование определения методов повышеня эффективности функционирования экономики Румынии в рамках международного финансирования, используя в этих целях следующие методы: группировки, категоризации, методы анализа, синтеза, экстраполяциидля комплексного рассмотрения сложных экономических процессов. Основные научные положения, представленные в статье, в результату проведенного исследования исходят из комплекса рассмотренных проблем и, одновременно из общей концептуально-практической характерисьтки концепции междкнародного финансирования в целях экономического развития, аргументируя её роль и эффективное влияние в трансформировании экономики на инновационный путь развития.

Ключевые слова: *финансовые средства, привлеченные, международные финансовые операции, прямые иностранные инвестиции, эффективность, экономический рост, влияние, взносов.*

JEL Classification: E2; F2; F5.

Introduction. Funding can get different aspects as how to make available funds. Because the donor has to be ensured in the use of the funds for designated and effective as anticipated funding is often accompanied by some prerequisites for the beneficiary.

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Financing operations pass through the following stages:

a) first, shall be undertaken by the institutional framework of financial markets, action by fundraising in their home markets. Here fall requests for funds to finance investment or placement of securities, the imposition by international financial institutions turning levies or quotas of participation (International Monetary Fund, World Bank), soliciting funds or aids, etc.

If you come accompanied attracted financial funds and amounts in national currency, financial market creates a claim for such amounts for financial institutions providing funds and money market showed signs are money;

b) in the second stage assessment phases appear attracted international funds. This is done by using international currency made available on international monetary market, exchange rate using the international standard. After this evaluation, financial fund value fluctuates along with the international standard course. This fluctuation can be avoided through international agreements that provide discount terms;

c) in the third stage, directing financial market makes monetised funds - international standard on destinations; These objectives can be achieved in various fields of economic, financial, municipal, cultural, military, applications received after the financial market. Such funds established in international currency finally takes on a new form which specifies the action that will serve and benefit respectively;

d) the last stage are effected movements of funds to national economies they have requested.

International financial transactions are usually the following: direct international investment, international funding for placement of securities of international financial aid, insurance and reinsurance, contributions to international financial institutions [5].

Foreign investment is the component of the international flows that reflects the purpose entity (natural or legal) resident in a country, to get interest (short or long) in an enterprise resident in another country.

International investment implies the existence of at least two undertakings, the trader and the trader issuing receptor located in different national spaces.

According to the established investment issuer and receiver are two categories of international investment: foreign direct investment (FDI) and foreign portfolio investment (ISP). From Historically, foreign portfolio investments precede FDI.

Thus, unlike foreign portfolio investment, foreign direct investment "that shifts by the issuing control and decision on receptor activity".

If foreign direct investment interest of foreign investors and, consequently, its involvement manifests itself in the long term, which excludes the possibility of carrying out activities if possible speculative foreign portfolio investments.

Unlike ISP which represents outsourcing of financial assets (stocks and bonds), foreign direct investment generates investment flow internalized that include both capital assets (tangible) and intangible assets (knowledge management, marketing, know-how).

For the purpose of UNCTAD, collective investment funds (collective investment funds) include, inter alia, private investment companies (private equity Firms) and various investment funds (mutual funds and hedge funds).

A definition possible would be that "Foreign direct investment is a category of international investment that reflects the purpose of an entity resident in a country (direct investor) to obtain a lasting interest in an enterprise resident in another country (investment Direct)" [8].

Another definition would be: "FDI consist of the transfer of a package that contained industrial capital, technologies, methods of industrial organization, management expertise, marketing knowledge, etc., allowing the investor to exercise control over investment law".

Foreign direct investment involves the internalization of tangible and intangible assets in the following conditions:

- economic agents involved to be located in different national spaces, namely direct investor (natural or legal) resident in the home, and direct investment is reflected in the host country or the receiving country;
- investor to show interest in the long term;
- investor to exercise control over the assets in which the investment is made.

Most domestic and international authors and organizations deemed of FDI flows consist of [1]:

a) actions: participation in the capital of a new or existing companies, which involves creating, expanding a company or purchase an existing business;

b) loans intracompanie: include borrowed funds between direct investors and subsidiaries, branches and associated companies;

c) reinvested earnings: those revenues it receives direct investor and not distributed as dividends or income on which the branch has not remitted to the direct investor.

Direct investments depend on a number of factors such as:

- marginal cost of access to a foreign market must be lower than the marginal revenue obtained from this operation;
- existence of conditions that make the production abroad would be less expensive than exporting the same product;
- its production abroad is more profitable than exportation or sale of licenses.

From a conceptual standpoint, the positive macroeconomic implications relate mainly to the following aspects [4]:

Support economic growth, which is performed differently depending on the form it takes foreign direct investment. If an investment "empty place" (greenfield), economic growth is due to the creation of new production capacity, additional jobs, the emergence of new consumer and taxpayer. If participation in privatization, positive effects appear if activity of economic efficiency and increase competitiveness, allowing long-term survival of the privatized enterprise.

Stimulate domestic investment, as local producers will be interested in increasing the efficiency and improving the quality of outputs either to face competition due to the presence of foreign investors in the sector in question, either to act as suppliers to foreign investors. In addition, local companies can gain access to the distribution channels of the foreign investor, in which case they will be interested in increasing production and quality of goods carried.

Supports restructuring and privatization, a matter which is of particular importance in the case of Central and Eastern Europe, particularly for companies requiring large amounts of capital and the ability to reorganize and streamline operations. Thus, foreign investors can contribute not only to the financial resources necessary to privatization, to the extent that subsequently perform rapid investment in order to improve business activity.

Increase investment capital due to foreign investors' access to external sources of capital. Where local capital markets lack the financial resources to fund important projects, foreign investment can cover this deficit as it is a direct source of foreign capital. This can have positive effects on the balance of payments by financing the current account deficit.

Generate positive effects on the trade balance, if the investor directly produce primarily for export or for the production for the domestic market substituting imports.

I support the state budget revenue growth due to new taxpayers in the host country's economy. Even if they are granted certain tax incentives, increase budget revenues due to higher receipts from payroll taxes.

Although foreign direct investment can generate a number of positive effects on the country implantation is not ruled out the possibility of a negative impact both at macroeconomic and sectoral levels [9], [10, p. 117-147]. Some of these adverse effects are inherent and manifests generally short, their emergence is closely linked to the implementation of the investment and/or its effectiveness, for example:

The increase in imports reflected negatively on the trade balance, due to imports of machinery and equipment financed by foreign investors, without which implementation of the investment would not be possible. In the long term, to the extent that refurbishment activity translates into increased productivity and competitiveness, it can record trade deficit decreased mainly when the foreign investor is driven primarily by export or import substitution.

Rising unemployment due to the restructuring of privatized enterprises with fast efficient order of business. Obviously, in this case, it can decrease the number of jobs in privatized enterprises. In our view, long-term, this disadvantage is insignificant if the restructured enterprises benefit from increased efficiency and competitiveness of business, in which case, the effects of training can generate new jobs (through the development of activities upstream or downstream) [7].

Negative impact on the budget because, on the one hand, tax incentives granted to foreign investors (political incentives) that the immediate effect of reducing revenues. On the other hand, increasing the number of unemployed as a result of privatization and restructuring of state enterprises generate additional budget expenditure, whereas the unemployed labor force of the restructured sectors is not immediately absorbed activities under development. In the long term, as the investments mature, it can record an increase in revenues to the state budget through taxes paid by new taxpayers (companies and employees) [6].

Therefore, the impact of FDI on the host economy is different from country to country, depending on the existing concrete economic, social and political and foreign capital penetration.

Bidirectional relationship between foreign direct investment and economic growth is due on the one hand, their impact on the economic environment in each country and on the other hand, the positive influences sustained and sustainable economic growth has on foreign capital flows receiver. According to specialists, for a given country periods.

Strong economic growth are characterized by attracting significant flows of foreign direct investment.

Although Romania has experienced high rates of growth, it was not supported to the same extent by foreign direct investment. In the year 2014 the share of FDI stock to GDP represented 24.2%, which is below the European average EU-25 (31.7%).

Accordingly, in the context of globalization and economic integration materialized mainly in the internationalization of production, foreign investments support growth in a more or less depending on specific conditions in each country [2].

The effects of FDI on the balance of payments are numerous and sometimes contradictory, being determined by a number of factors, among which the most important are: type of investment, economic efficiency, scope, access to resources, transaction costs classics and interventions host country.

Analysis of the impact of FDI on the balance of payments should take into account both trade flows (the trade balance) and "possible significant outflow of capital or diversion of flows from other potential investors". In this respect, the best example is the case of telephone company Romtelecom, the privatization of which, the foreign investor was guaranteed monopoly on the market for a period of five years, during which prices have increased significantly. These higher profits obtained as a result of anti-competitive techniques can turn into outflows in the form of excessive salaries of expatriates and high royalty fees, negatively affecting the balance of payments. For countries in transition to a market economy, such situations are not unique if we have the concentration of FDI in oligopolistic markets.

Another issue raised by the impact analysis of foreign direct investment is financing modality, which directly affect the level of external private debt. The negative effects on the balance of payments arise from foreign companies that borrow abroad and subsequently focuses on the rapid recovery of investment through the use of fiscal evasion techniques (higher transfer prices or fees).

Another aspect of analyzing the impact of FDI on the balance of payments aimed at tracking the effects generated by investment projects, as follows: in the first phase (the investment), capital inflows are recorded in the financial account as a tool to balance the balance of payments by financing the current account deficit; in the second phase (implementation of investment) due to massive imports made by foreign companies (equipment, machinery, raw materials etc.) there is an adverse effect on the trade balance.

In the third phase (maturity investment) effects on the balance of payments, trade balance are diversified respectively. Positive effects on the current account occur when profits are reinvested in the host country and capital outflows in the form of interest and fees generated by the system of transfer pricing administration are not significant.

Another aggregate effect of FDI is the budget, what impact can manifest itself in the form of contributions both positive and negative. In essence, the experts consider that in a first phase a negative impact on the budget and later with the development activities and creating new jobs, it becomes positive.

Positive and negative contributions to the budget:

a) *Negative contributions:*

The initial phase (implantation of investment):

- In budget revenues due to tax concessions granted to foreign investors (tax incentive policy);
- Additional budget expenditure, social, due to increased unemployment as a result of privatization and restructuring of state enterprises.

Subsequent phase (maturity investment):

- Can reduce taxes paid to the host state using transfer pricing mechanism and other mechanisms.

b) *Positive contributions (occurring only in the mature stage):*

- Additional revenue to the state budget in taxes paid consisting of new contributors (employees and businesses).

The quantity of the capital contribution of foreign direct investment inflows is expressed to the ratio of FDI flows received and gross fixed capital formation (GFCF). Foreign investment supplement internal capital be when done "the empty place" leading to the development of new activities or in case of change of ownership (privatization or takeovers of firms) if the company so acquired would be closed or whether through the investment foreign, are improved performance. Obviously, from this point of view, the impact of foreign capital inflows is stronger for investment of "greenfield".

One of the most important effects of FDI, felt directly by local consumers, is to reduce the prices of goods and services with a positive impact on the standard of living of the native population. By entering into the local economy to foreign companies drop prices as a result of widening competition.

Of course, if the foreign investor manages to capture the market and hold a monopoly position, negative social and economic effects due to higher prices are good or service in order to obtain additional earnings. One example is the privatization of Romtelecom Romanian telephony followed by a significant increase in tariffs as a result of the monopoly position held by Greek investors and guaranteed by the Romanian state for a period of 5 years.

Therefore, the net impact of FDI on the living standards of the local population is difficult to quantify. If we consider only the issue of reducing prices is obvious that the standard of living is improving as local consumers will benefit from the new prices lower and a greater diversity of products. If it, however, in view of the more complex aspects, namely direct and indirect effects long term, the situation is changing, as undesirable phenomena may occur in economically and socially. In other words, higher living standards as a result of foreign direct investment aimed at the local market (market-seeking) has a price consisted essentially in widening disparities between members of society.

FDI impact on employment. The effects of FDI on local labor force depend substantially on the following factors: the size and type of investment; the mode of entry of the foreign investor; sphere; companies investing strategy; specific conditions in the host country.

The size of the investment (the firm) affects the local workforce both quantitatively and qualitatively. Quantitatively, transnational companies, though small in number (about 2% of the number of companies with foreign capital) attract the bulk of the workforce (60% of employees of companies with foreign capital) compared to small and medium investors prevailing number, but attract only a small proportion of local employees (about 35%). In terms of quality, size and financial strength of the company determines the extent to which it is involved in the preparation and training of its employees. This is the main reason that the activities of "trening" are more numerous for large transnational companies (like the mobile, financial companies etc.) than small and medium firms. At the same time, transnational companies, due to competitive behavior and owned technologies generates more often, fewer jobs than local firms of the same size.

Type of investment, namely its motivation, is another major determinant of FDI impact in human resources. Thus, if foreign investment motivated by the low cost of labor (for intensive branches of service) and/or quality of labor force characteristics of human resources indigenous significantly influence the investment decision constitutes the main advantage of the location of the host country [10].

How to enter foreign investor influence the amount of the active population structure. Thus, the investment of "greenfield" create new jobs with positive effects on employment. The situation is completely different in the case of FDI attracted in the privatization process, since acquired businesses faced generally by dramatic reductions in personnel as a result of restructuring activities, adversely impacting the labor market. However, given that the foreign investor fails, by streamlining business to bail out the company concerned long-term beneficial effects recorded due preservation of jobs.

The business scope of the company both quantitatively and qualitatively affect the local workforce. Thus, depending on the type of products manufactured (intensive in labor, capital or knowledge) can override one of the factors of production. If the predominant factor is labor, foreign direct investments have a significant quantitative impact on employment.

The strategy investing firm has direct effects on the local workforce, quantitatively. Thus, where the multinational company produce directly in the host country is much more significant impact than if they just set up branches (networks) distribution. Note that in Romania, as in other central and eastern European countries were adopted both strategies - direct production or distribution networks.

The effects of FDI on the restructuring. Transnational companies support economic restructuring host country both directly and indirectly. Direct effects due to: introduction of new technologies and/or upgrading existing ones, in their own interest; development of new activities; local suppliers in order to stimulate vertical integration in the corporate system. The indirect impact is generated by increasing competition between foreign and domestic firms. Thus, in order to compete with foreign manufacturers, local companies are interested to restructure and modernize the work [3].

Depending on the level at which the restructuring, the literature identifies the following types:

- Sectoral restructuring: the information revolution and is partly reflected in the restructuring of all sectors of the economy, the trend being the increase in the share of services at the expense of agriculture;
- Intra-sector restructuring: involves passing within each sector, the activities characterized by low productivity (labor intensive) to highly productive activities, generating high value added, knowledge-intensive and technology;
- Restructuring of the company: by using new, modern technology and development of high added value generating activities.

The effects of FDI on technologization. Experts say that one of the most important contributions of FDI is the technology transfer, returning a special role in this regard, transnational corporations. From the point of view of the country, the technological transfer through FDI, has many advantages, among which the most important are:

- Use of new technologies, the implementation of which involves improving the knowledge and skills of workers;
- Diffusion of technology, knowledge and capabilities that benefit the businesses that ST enter into business relations (suppliers, subcontractors, competitors), reflected on the cost and quality of goods and services provided;
- Development of relations between ST and local institutions (research institutes, universities, standardization and quality control, training centers);
- Stimulating competition and boosting domestic companies to focus their efforts on technologies activity;
- Attracting employees by ST local firms it a dispersion of the technological and managerial practices.

FDI and research and development (R&D). Developments in the past decade have shown that, following the increasing international competitive pressures and rapid technological development, more and more transnational companies increase their permanent research and development expenses to maintain competitive advantages arising from technological innovation.

In essence, transnational companies that develop R&D abroad fall within the following categories:

a) ST pursuing the exploitation of assets (Assets exploiting) they are generally originating in developed countries and its internationalized production for access to natural resources or cheap labor, so lies in R&D in the background;
b) ST aimed at enhancing assets (augmenting exploiting) are often originating in the economies of developing and seeking that the achievement of FDI to gain access to capabilities for research and local development (in order to increase competitiveness through technological innovation) which is why at the heart of their R&D activities.

The role of FDI in the knowledge economy. Building the knowledge economy involves the transition from “industrial approach” of the economy to “addressing information” whose main feature is the speed of change.

Consequently, competition has turned fierce global “knowledge” the lifeblood of the economy, so to survive, transnational companies are obliged to allocate significant resources to obtain knowledge.

The importance of knowledge in the new global economy was officially recognized at EU level since the adoption of the Lisbon Agenda as a priority for Member States building the knowledge economy to ensure increased competitiveness and sustained economic development.

The effects of FDI vary from country to country, depending on the existing concrete economic, social and political penetration of foreign capital and the structure of FDI inflows.

Results and conclusions

We appreciate that foreign lending has both a positive and negative impact to the national economy. On the one hand, positive, because in the foreground our country turn to foreign loans in order to balance the balance of payments, which includes the policy of the National Bank of Romania, and on the other hand, negative, since we can not Considered one effective as applying it currently has favorable effects, but as time effects turns into an economic issue because further lead to rising external debt.

At the same time, foreign lending has a positive influence, where sources of funds raised would be concentrated to the maximum value with investment in production, which could respectively cover the interest on it, but thus in line with the policy, the sources are exhausted in the sphere of consumption, which covers only the expenses incurred, but places no small profit.

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