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ТИПОЛОГІЯ ВЗАЄМОЗВ'ЯЗКУ МІЖ СОЦІАЛЬНОЮ ДІЯЛЬНІСТЮ І ФІНАНСОВОЮ ЕФЕКТИВНІСТЮ ОРГАНІЗАЦІЇ

Розвиток кожної організації – це мета, яку визначають три основні складові: економічний розвиток, соціальний розвиток і захист навколишнього середовища. До цієї макроекономічної мети можуть бути додані різні мікроекономічні мети, у тому числі загальні результати діяльності, що включають фінансові та соціальні показники організації, дані про її стійкості й соціальну відповідальність. Мета статті – знайти відповіді на такі питання: чи існує взаємозв'язок між фінансовими і соціальними показниками організації? Якщо він існує, то який він: позитивний чи негативний? Розуміння соціального впливу, як на фінансові показники, так і на стійкість організації, було предметом численних досліджень, присвячених характеру взаємодії між здатністю організації досягати високого рівня корпоративної соціальної відповідальності, з одного боку, і фінансовими показниками, – з іншого.

Ключові слова: соціальні показники; фінансові показники; корпоративна соціальна відповідальність.

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ADOPTING SOUND CORPORATE GOVERNANCE PRINCIPLES – A PROSPECTIVE APPROACH TOWARDS THE IMPACT ON STOCK PRICES OF ROMANIAN LISTED COMPANIES

Sound economic developments and successful businesses are conditioned by embracing proper corporate governance principles furthered by their proper implementation. There is a strong body of research that encompasses finance and accounting tools to establish valid links between qualitative corporate governance fundamentals and stock market performance of listed companies, that stem from accountability, operational integrity, transparency, management and board efficiency improvements, risk mitigation and overall better decision-making endeavours. The aim of the present research is to assess the impact of adopting sound corporate governance principles on the stock price of companies traded on the Bucharest Stock Exchange. Following our empirical efforts, the results of our regression study reveal the clear connection between price to book ratio and to our corporate governance assessment index and to a lesser extent the connection between share price and our corporate governance assessment index.

Key words: corporate governance, capital market, share price, price to book ratio, disclosure, Romania, BSE.

Introduction. From a scientific perspective, corporate governance is mainly concerned with maximizing company efficiency by resorting to well established institutional structures such as organizational charts, company policies, constitutive acts and legislative regulations. In our view, these structures should be constantly adapted to the dynamics of a company's endogenous and exogenous shaping factors, which generate changes of various degrees and natures (economic, social, political and technical) that inevitably whittle the business environment.

Given the fact that corporate governance is a highly debated current topic, considered the epicentre of the 21st Century research concerns (Tricker, 2012), it has amounted considerable attention in research and literature, being investigated by researchers coming from contrasting and complementary fields: law, economics, psychology and sociology. Consequently, this concept has received a variety

of definitions, however, we must admit that there has not been established a consensus regarding the definition of corporate governance. Some authors view it as the theory of aligning shareholders' and managers' diverging interests (Grant, 2003), while others describe it as a way of harmonizing economic, social, individual and common objectives established or affected by a company's operations (Ahmed, Mohammad, 2005).

Furthermore, viewed both as a concept and as a practice, corporate governance has undergone changes to dynamically adapt its regulatory instruments to corporate practices. Currently, the corporate governance framework covers a wide range of topics that go beyond the shareholders' approach. In addition, in the last few decades globalization has greatly whittled economic developments (deadening commercial and investment frontiers, transitioning towards mass consumption, expediting the

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Key words: corporate governance, capital market, share price, price to book ratio, disclosure, Romania, BSE.

Introduction. From a scientific perspective, corporate governance is mainly concerned with maximizing company efficiency by resorting to well established institutional structures such as organizational charts, company policies, constitutive acts and legislative regulations. In our view, these structures should be constantly adapted to the dynamics of a company's endogenous and exogenous shaping factors, which generate changes of various degrees and natures (economic, social, political and technical) that inevitably whittle the business environment.

Given the fact that corporate governance is a highly debated current topic, considered the epicentre of the 21st Century research concerns (Tricker, 2012), it has amounted considerable attention in research and literature, being investigated by researchers coming from contrasting and complementary fields: law, economics, psychology and sociology. Consequently, this concept has received a variety

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Furthermore, viewed both as a concept and as a practice, corporate governance has undergone changes to dynamically adapt its regulatory instruments to corporate practices. Currently, the corporate governance framework covers a wide range of topics that go beyond the shareholders' approach. In addition, in the last few decades globalization has greatly whittled economic developments (deadening commercial and investment frontiers, transitioning towards mass consumption, expediting the

need to optimize operations and increase economic efficiency, while considering corporate impact on social and environmental counterparties). At the same time, the development of communications systems and technologies has allowed for increased communication and information sharing, generating both local and international volume of transactions, generating market development and, ultimately, interconnecting markets. At the heart of this process were positioned multinational companies that have developed complex operational systems and high-performance management structures in order to achieve their fundamental goal: making and maximizing profits.

We argue that there is a continuous and never-ending evolution of corporate governance theories or models that intersect and assume specific aspects of management, finance, and legal science. The underlying causes have been said to be minimal social consciousness along with the central element of modern business for which many unfavourable outcomes have been allowed to take place: profit pursuit. Nowadays, globally, companies strive to instill the governance adequacy into their corporate structures and mechanisms. Furthermore, it is unanimously accepted that once capitalism grew, corporations strengthened their power and states began to accept certain concessions. Consequently, we believe that aligning the interests of all stakeholders on the desirable axis of sustaining company prosperity generates benefits for all the categories of parties involved or affected by its operations. At the same time, we admit that it is impossible that all possible cases, phenomena and events can be formalized in a mandate contract, code or other document, that is why responsibilities must be carefully established, while ethical values and proper accountability frameworks should be instilled in decision bearing parties.

As a thematic area of accounting research, corporate governance studies principles and associated rules applicable to the Board of Directors (and its subordinate structures), aimed at ensuring relational transparency with stakeholders or decision-makers and compliance with the qualitative criteria of the accounting function (Andone et al., 2013). The extensive body of research is mainly focused on the operational framework of corporate governance, which consists of three core subjects: company responsibilities, rights and rewards in relation to stakeholders through explicit and implicit contracts; ensuring an effective balance through control procedures, supervision and adequate information flows, which constitute a robust review system; procedures for reconciling conflicts of interest, respecting their duties, roles and privileges. Since it involves interdependence, we believe that the essence of corporate governance issues is reduced to shaping a prolific and efficient interaction between stakeholders in order to act together, based on common values, for the ultimate goal of both company and community welfare.

Literature review. It is widely accepted that the most notable impetus to corporate governance research has been the outbreak and management of the latest global financial crisis, which marked its debut in 2007, the subsequent destabilizing times and the economic recovery efforts that followed, the need for redesigning corporate practices, principles and values. Furthermore, the global community has noticed and has argued the cases of unjustifiable excesses and considerable flaws in risk management endeavours (mistakenly predicted, wrongly anticipated or even disregarded significant imminent risks).

There have been conducted a multitude of empirical studies that have addressed the role of corporate

governance structures from complementary analysis perspectives, outlining an aggregate vision. We note a few of the most notable papers and research endeavours. Bebchuk, Cohen and Ferrell (2004) constructed a practical guide towards proper corporate governance structures. Tofan, Bercu and Cigu (2013) critically traced the evolution of the Romanian corporate governance framework, in a thorough longitudinal analysis. Moreover, Bişoiu (2015), analysed the compliance of the Romanian banking sector with the Bucharest Stock Exchange – Corporate Governance Code (BSE – CGC) through carefully chosen criteria. Additionally, Apostol (2015) dedicated a study to identifying corporate governance benchmark tools aimed at Romanian companies. Contrastingly, Mallin (2004) followed by Monks and Minow (2011) researched and identified the most recurrent obstacles towards corporate governance efficiency, from a behavioural perspective of the problem, concluding that top management will always be tempted to abuse its privileged position for personal gain.

We must note that frequently empirical studies seek to establish a direct causal link between proper adoption of good corporate governance practices (measured by a composite index that assess corporate governance systems) and performance improvement (such as in terms of return on equity). We mention in this regard the papers of Muller, Ienciu, Bonaci and Filip (2014), Naimah and Hamidah (2016), Avdalovic and Milenkovic (2017). Furthermore, to date, most of the studies have focused their efforts on how shareholders provide and motivate management to achieve predictable returns on their placements. Additionally, there are authors who argue that good governance exceeds company limits, showing an undisguised impact in strengthening the overall stability of the economy (Barton, Wang, Ye, 2009). Moreover, many researchers identify the existence of a strong link between corporate social responsibility and corporate governance (Kolk, Pinkse, 2009).

We believe that company performance, which mediates return level aimed at paying off shareholders' investment efforts, is a multi-dimensional criterion which, in addition to financial aspects (related to the obtained results and their evolutionary perspectives), that is undeniably conditioned by the efficiency of the collaborative efforts of interested parties geared towards nurturing transparency, ethics, non-inverted or opportunistic healthy axiology, easy and unframed communication, the protection of all investor categories, accountability, general well-being – all being components of an efficient corporate governance system. We iterate that corporate governance principles and practices do not only guarantee organic, healthy, prosperous and efficient company developments, but also help build and strengthen individuals' trust in markets, systems and companies alike. A consensus can be identified in that without trust, no system can operate, especially in a sustainable and efficient manner, particularly sensitive systems of a financial nature (capital markets, banking or financial intermediation).

At present, we can identify clear evidence that the development, adoption and proper application of corporate governance codes and joint assessment criteria imply beneficial effects in improving practices in the field. However, we must admit that not all good practices can be mandated and the way to apply codes of good practice should be regularly monitored, reviewed and reported to stimulate the implementation of appropriate procedures. Moreover, codes and regulations in this area should continuously be reviewed

and improved in order to develop better practices so as to adjust dynamically and in a timely manner to the pressing current business environment issues.

In our view, regulators and researchers should focus their efforts on the following relevant perspectives: the increased importance of sound principles of corporate governance, monitoring, more effective application and reporting in this field, integrating environmental, social and governance aspects, harmonizing corporate governance codes to prove their effectiveness in a number of different economic sectors, focusing on the benefits of a correct orientation and timely assistance in implementing corporate governance tools.

We appreciate that the importance of corporate governance will increase in the near future as entities seek to remain competitive in a dynamic, continually changing market, and the efficiency of corporate governance structures and networks could be an additional asset for attracting both human and financial capital. Moreover, we believe that regulations and codes can be more realistic and effective when they consider not accounting concepts and practices, corroborated with marketing and management perspectives, resulting in an interdisciplinary approach towards corporate governance. More importantly, we believe that corporate governance should not be considered as an end in itself, but rather as a means of creating and sustaining market trust and business integrity, key elements in accessing long-term capital investment. This is growing in importance if we remember that access to equity is essential for the growth of forward-looking companies and to balance any leverage effect.

Nationally, in Romania the regulating responsibility regarding corporate governance belongs to the legislative authority (the parliament), accompanied by the government and subordinate institutions responsible for the continuous supervision and regulation of the capital market: Financial Supervisory Authority (Autoritatea de Supraveghere Financiară, ASF) and the Bucharest Stock Exchange (BSE). Stemming from the BSE's mission that good corporate governance is a viable and powerful tool to strengthen market competitiveness and enhance market investment attractiveness and worldwide trust, the BSE has formulated its own principles through a set of 34 compliance requirements detailing four main pillars correlated and complementary to corporate governance: accountability, risk management practices and provisions on internal control, proper rewards and fair incentives practices, value creation through investors' relations. Despite the fact that it is primarily addressed to its listed companies, the BSE encourages all categories of entities to adopt and comply with the procedural sound principles of its Corporate Governance Code.

We can firmly state that Romania is still at the beginning of the implementation phase of sound corporate governance practices and principles, as most of the traded companies are actively interested in shaping a suitable framework for their enforcement. This technical stage has long been overcome by more advanced economies, with more developed capital markets and financial sectors (among those we mention the USA, the UK and France). Additionally, we note that regulatory bodies in developed countries are currently trying to modify the essential principles and behaviours associated with this complex concept.

A prospective approach towards the impact on stock prices of Romanian listed companies. Given that the BSE

– CGC is currently unanimously accepted and considered to be a coherent set of sound practices for traded Romanian companies, we have decided to substantiate the present study on the information provided by a sample of traded companies regarding their compliance profile with the BSE – CGC. The study is based on information relating to 2017. At the same time, given listed companies are perceived to be the most successful entities operating in a national economy, we decided to study corporate governance practices at the level of a representative sample of traded companies in the BSE at the Standard and Premium segments. In order to fulfil our research aims, we analysed each company's compliance statement in order to determine an individual corporate governance score.

We started from a number of 80 companies traded at 30.04.2018, but have been excluded the ones that have not made publicly available information regarding their corporate governance structures, practices and principles, or the above – mentioned statement. We note that, in agreement with the non-discrimination of shareholders and capital market efficiency, we have only focused on information communicated to all stakeholders through the BSE or corporate websites, from an investors' standpoint, one who does not possess preferential information.

Our final sample is comprised of 74 companies that operate in different fields: 39 in manufacturing, 11 in financial intermediation and insurance, 4 in extractive industry, 4 in constructions, 4 in wholesale and retail, 4 transport and storage companies, 4 hotels and restaurants, 3 electricity, heat and gas suppliers and a healthcare company. We must admit the fact that the Romanian capital market is among the smallest in the region, as its Eastern European counterparts surpass it in aspects regarding the number of traded companies, traded volumes and number of transactions. Consequently, we decided to sacrifice industry homogeneity in order to achieve statistically relevant results. Another classification relevant to the study splits our sample into two categories according to the BSE section to which our selected companies are admitted for trading. Therefore, the structure of our sample is the following: 22 Premium and 52 Standard traded companies.

Methodology, results and discussion. Considering that enforcing sound corporate governance practices should enhance investors' trust and subsequently impact share price, we decided to quantify the impact that the corporate governance compliance level shows on share price, through an individually determined corporate governance score. Moreover, management efficiency and proper disclosure should impact the price to book ratio as the surplus of the share price over its book value is theoretically attributed to a qualitative management function corroborated with proper communication with interested parties. Accordingly, we decided to investigate the connection between the individually determined corporate governance score and the individually computed price to book ratio for the sample. Consequently, in our comparative regression study, we must proceed to elaborate on the variables we decided to include in our study and the assumptions.

First of all, in order to maintain a unitary scoring system and to avoid subjective situations in the pursuit of measuring individual corporate governance compliance with the BSE – CGC, we set the scoring system as follows: 1 point was allocated for each fully met criterion, 0.5 points for each partial fulfilment criterion and no point for the unfulfilled criterion. Additionally, no points were allocated

fort the identified promises of rectification, similarly for uncompleted procedures under enforcement, although the disclosure transparency and efforts to mend the self-assessed shortcomings should be appreciated. Thus, the total individual score of each company was determined according to equation 1:

$$CGS_i = \sum A_j + \sum B_j + \sum C_j + \sum D_j \quad (1)$$

where:

CGS – the total score obtained by company i;

$\sum A_j$ – criteria met for accountability;

$\sum B_j$ – criteria met for risk management practices and provisions on internal control;

$\sum C_j$ – criteria met for proper rewards and fair incentives practices;

$\sum D_j$ – criteria met for value creation through investors' relations;

i – the analysed company, where i = [1;74].

Secondly, we decided to consider the average share price registered in April 2018, following the closing of the financial year 2017 and the subsequent disclosure of the audited annual financial statements. We argue that the underlying intention was to minimize the daily variations of individual share transactions, in order to increase the overall significance of the present study.

Thirdly, the last variable, price to book ratio (PBR), was calculated for each company using equation 2:

$$PBR_i = \frac{P_i}{BV_i} \quad (2)$$

where:

P_i – share price of company i, as previously defined;

BV_i – share book value for company i, determined as equity divided by the number of shares issued.

The methods used were based primarily on extensive fundamental research, bibliographic documentation,

phenomena observation, along with the scoring method, statistical processing and linear regression. In this approach, we used statistical regression to identify the link between sound corporate governance practices as a financial reporting quality guarantee and share price, followed by price to book ratio. The study intends to determine the connection intensity and the predictive value of the regression functions. We iterate that regression is a technique based on mathematical and statistical modelling, constituting an extension of the Pearson type correlation, that predicts a metric dependent variable from a relation (linear or nonlinear) with one or more independent variables. For this paper IBM SPSS Statistics 23 has been utilised to assist in the regression technique. Equation 3 describes the linear model where y is the dependent variable, x the independent variable and α the vector of the coefficients:

$$y = \alpha_0 + \alpha_1 x \quad (3)$$

The primary data used in the present study is disclosed in appendix 1, as it tabulates corporate governance individual score, share price and price to book ratio, for each selected company.

Corporate governance and share price. A couple of hypotheses have been formulated (the main hypothesis and its alternative) for this first section of the research paper:

H_0 : Compliance with sound corporate governance practices does not influence share price.

H_1 : Compliance with sound corporate governance practices influences share price.

Examining the descriptive statistics from table 1, for the selected sample of traded companies, we note that on the average share price is 11.0907 lei per share (about 2.35 euros or 2.67 USD) and the average individual corporate governance score is 23 points out of a maximum of 34.

Table 1. Descriptive statistics – regression model 1

| | Mean | Std. Deviation | N |
|-----|---------|----------------|----|
| P | 11.0907 | 49.10790 | 74 |
| CGS | 23.0000 | 9.10667 | 74 |

Source: author's calculations in SPSS Statistics 23.

Table 2 depicts the correlations of the simple linear regression model, by analysing it we can state that the two variables, share price and corporate governance score are positively correlated, but to a small extent (0.136), moreover, this connection is not statistically relevant at a 5% level, as

the sig. value is quite high 0.124. Analysing the Pearson correlation coefficients, it appears that between P and CGS there is a direct, but weak correlation (positive correlation), which indicates that at an increase in the corporate governance score, we can expect an increase in share price.

Table 2. Correlations – regression model 1

| | | P | CGS |
|---------------------|-----|-------|-------|
| Pearson Correlation | P | 1.000 | .136 |
| | CGS | .136 | 1.000 |
| Sig. (1-tailed) | P | . | .124 |
| | CGS | .124 | . |
| N | P | 74 | 74 |
| | CGS | 74 | 74 |

Source: author's calculations in SPSS Statistics 23.

The subsequent table 3, states the independent variable (corporate governance score, CGS) chosen to regress against the dependent variable states as the share price (P).

Table 3. Variables entered or removed^a – regression model 1

| Model | Variables Entered | Variables Removed | Method |
|-------------------------------------|-------------------|-------------------|--------|
| 1 | CGS ^b | . | Enter |
| a. Dependent Variable: P | | | |
| b. All requested variables entered. | | | |

Source: author's calculations in SPSS Statistics 23.

The model summary is presented by table 4, which comprises the correlation coefficient (R), the coefficient of determination (R^2). The correlation coefficient (R) can range from -1 to +1 and it is intended to indicate the presence or absence of a correlation between the dependent variable and the independent variable. The calculated value of R for our model is amid theoretical limits: 0,136. Moving on to the

coefficient of determination, we can state that the independent variable of this regression explains share price variance at a rate of merely 1,8 %, therefore, we consider that there is a low correlation between P and CGS. Moreover, when adjusting the R square we obtain even a lower value 0,5 %, which further strengthen our conclusion that the model does not have statistical significance.

Table 4. Model Summary^b – regression model 1

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|--------------------------------|-------------------|----------|-------------------|----------------------------|
| 1 | .136 ^a | .018 | .005 | 48.98934 |
| a. Predictors: (Constant), CGS | | | | |
| b. Dependent Variable: P | | | | |

Source: author's calculations in SPSS Statistics 23.

From the subsequent table 5, it is observed that the calculated value of F, 1.354, tests the overall significance of the independent variable, while the Sig. value of the above ANOVA model is 0,248 above the significance threshold of 0.05. Therefore, the linear relation between the analysed variables does not bear statistical

significance. Hence, following our analysis we rejected the alternative hypothesis H_1 and we accepted H_0 , namely that good corporate governance practices do not influence share price, in a manner which we can model and predict based on the studied data.

Table 5. ANOVA^a – regression model 1

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------------------------|------------|----------------|----|-------------|-------|--------------------|
| 1 | Regression | 3249.023 | 1 | 3249.023 | 1.354 | 0.248 ^b |
| | Residual | 172796.773 | 72 | 2399.955 | | |
| | Total | 176045.796 | 73 | | | |
| a. Dependent Variable: P | | | | | | |
| b. Predictors: (Constant), CGS | | | | | | |

Source: author's calculations in SPSS Statistics 23.

The coefficients analysis from table 6 consolidate our conclusion gives the high Sig. values (above 0.05) for both the constant and independent variable (CGS).

Table 6. Coefficients^a – regression model 1

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -5.759 | 15.561 | | -.370 | .712 |
| | CGS | .733 | .630 | .136 | 1.164 | .248 |

Source: author's calculations in SPSS Statistics 23.

Since the obtained results do not show an acceptable level of statistical confidence along with predictive value of the constructed regression model between share price and corporate governance index, we believe that the regression function should be resized by building a weighted corporate governance score that highlights the financial and accounting quality coordinates. Additionally, the study may be extended to the relationship between proper corporate governance practices and profitability in a multiannual panel data analysis.

Corporate governance and price to book ratio. A couple of hypotheses have been formulated (the main

hypothesis and its alternative) for this second section of the research paper:

H₂: Compliance with sound corporate governance practices does not influence the price to book ratio.

H₃: Compliance with sound corporate governance practices influences the price to book ratio.

Examining the descriptive statistics from table 7, for the selected sample of traded companies, we note that the average value of the price to book ratio is 0.9056. This result signifies that investors frequently price shares below their book value. Consequently, one can argue that investors do not see additional value in non-financial criteria and are mainly focused on profits and their prospects.

Table 7. Descriptive statistics – regression model 2

| | Mean | Std. Deviation | N |
|-----|---------|----------------|----|
| PBR | .9056 | 1.96996 | 74 |
| CGS | 23.0000 | 9.10667 | 74 |

Source: author's calculations in SPSS Statistics 23.

Table 8 depicts the correlations of the second simple linear regression model, by analysing it we can state that the two variables, PBR and CGS are positively correlated, but to a moderate extent (0,232), moreover, this connection is statistically relevant at a 5 % level, as the Sig. value is quite low 0,024 (less than 0,05). Analysing the

Pearson correlation coefficients, it appears that between PBR and CGS there is a direct, but weak correlation (positive correlation), which indicates that at an increase in the corporate governance score, we can expect an increase in price to book ratio.

Table 8. Correlations – regression model 2

| | | PBR | CGS |
|---------------------|-----|-------|-------|
| Pearson Correlation | PBR | 1.000 | 0.232 |
| | CGS | 0.232 | 1.000 |
| Sig. (1-tailed) | PBR | . | 0.024 |
| | CGS | 0.024 | . |
| N | PBR | 74 | 74 |
| | CGS | 74 | 74 |

Source: author's calculations in SPSS Statistics 23.

The subsequent table 9, states the independent variable (corporate governance score, CGS) chosen to regress against the dependent variable price to book ratio (PBR).

Table 9. Variables entered or removed ^a – regression model 2

| Model | Variables Entered | Variables Removed | Method |
|-------|-------------------|-------------------|--------|
| 1 | CGS ^b | . | Enter |

a. Dependent Variable: PBR
b. All requested variables entered.

Source: author's calculations in SPSS Statistics 23.

The main information extracted from table 10 is that R² – which renders predictive accuracy – is 0,054, that indicates that a fairly low amount of PBR variation (only 5,4 %) can be attributed to CGS and after adjusting that value becomes slightly lower, 4,1 %. Consequently, we

can state that given the low R² value more variables should be included in the model so that we can further explain the variance of PBR and increase the model significance and predictive value.

Table 10. Model Summary ^b – regression model 2

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .232 ^a | .054 | .041 | 1.92962 |

a. Predictors: (Constant), CGS
b. Dependent Variable: PBR

Source: author's calculations in SPSS Statistics 23.

The calculated value of the F test, 4,084, renders the global significance of the independent variable, while the value of Sig. from the ANOVA model is 0,047, which is close but does not exceed the significance threshold of 0,05. Because the linear relationship between the analysed

variables isn't significant, therefore assumption H3 is validated and we admit subsequently that for the analysed sample of companies, the corporate governance score significantly influences the price to book ratio.

Table 11. ANOVA ^a – regression model 2

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|--------------------|
| 1 | Regression | 15.205 | 1 | 15.205 | 4.084 | 0.047 ^b |
| | Residual | 268.088 | 72 | 3.723 | | |
| | Total | 283.293 | 73 | | | |

a. Dependent Variable: PBR
b. Predictors: (Constant), CGS

Source: author's calculations in SPSS Statistics 23.

Table 12 depicts the coefficients of the regression equation and the complementary tests of significance. The coefficients' values are rendered by column "B" for both gradient and intercept, in terms of the regression

line. Subsequently, our second model can be written as equation 4:

$$PBR = -0.247 + 0.05 CGS \quad (4)$$

Table 12. Coefficients^a – regression model 2

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| 1 | (Constant) | -0.247 | 0.613 | -0.403 | 0.688 |
| | CGS | 0.050 | 0.025 | 2.021 | 0.047 |

Source: author's calculations in SPSS Statistics 23.

The statistical significance is hindered only for the constant value as Sig. is above 0,05 (0,688). However, CGS coefficient is considered significant. Moreover, from table 13

we can conclude that the coefficients do not substantiate the predictive value of our constructed regression model.

Table 13. Coefficients^a – regression model 2

| Model | | 95,0 % Confidence Interval for B | |
|-------|------------|----------------------------------|-------------|
| | | Lower Bound | Upper Bound |
| 1 | (Constant) | -1.469 | 0.975 |
| | CGS | 0.001 | 0.100 |

a. Dependent Variable: PBR

Source: author's calculations in SPSS Statistics 23.

Conclusions. Considering the complexity of the current international economic and ideological context, we can state that this concept of corporate governance does not strictly refer to the means for shareholders to recover their investments, but, more importantly, addresses the issue of management's relationships with stakeholders. Because each investment constitutes a vote of confidence in the company's management and prospects, corporate governance provides the framework for high performance management practices and investor reward. This framework includes recommendations on company management and its structural organization. Under these circumstances, the ultimate goal should be to create a sustainable long-term value by applying these principles both in the decision-making process and in the implementation process.

In our view, good corporate governance implies merging the issues' fundamental theories, which visibly intersect, develop and amplify each other. Moreover, numerous authors, such as Abdullah, Valentine (2009) and Williamson (2009) support the pluralism of theories in corporate governance practice, arguing the cause of the multitude of possible problems encountered in the economic reality being the impossibility of expressly depicting every possible flaw in the formalized literature. Furthermore, the transition from corporate governance to effective corporate governance can be achieved by promoting sound principles that can be enforced through well designed practice codes.

Since the obtained results do not show an acceptable level of statistical confidence along with predictive value of the constructed regression model between share price and corporate governance score, we believe that the regression function should be resized by building a weighted corporate governance score that highlights the financial and accounting quality coordinates. Additionally, the study may be extended to the relationship between proper corporate governance practices and profitability in a multiannual panel data analysis.

Simple linear regression was carried out to investigate the relationship between sound corporate governance practices (proxied by the individual corporate governance compliance score) and price to book ratio. The Pearson correlation indicated a mild positive correlation between the two variables (of 0,232). The simple linear regression technique has rendered favourable expected results, but low predictive accuracy of our second model. Nevertheless, we can strongly state that while share price is not significantly impacted by the corporate governance score, price to book

value is influenced by it, but at a weak level. We can explain this result by the fact that financial rates and performance measures usually imprint a visible mark on share price (and derivate rates) and nonfinancial information (such as that regarding corporate governance) is considered as well but to a lesser extent when pricing financial instruments.

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УХВАЛЕННЯ НАДІЙНИХ ПРИНЦИПІВ КОРПОРАТИВНОГО УПРАВЛІННЯ – ПЕРСПЕКТИВНИЙ ПІДХІД ДО ВПЛИВУ НА ЦІНИ АКЦІЙ РУМУНСЬКИХ ЛІСТИНГОВИХ КОМПАНІЙ

Сталий економічний розвиток та успішний бізнес обумовлені прийняттям належних принципів корпоративного управління та їх правильною реалізацією. Існують великий обсяг досліджень, що охоплюють фінансові та бухгалтерські інструменти для встановлення надійних зв'язків між якісними основами корпоративного управління і показниками лістингових компаній на фондовому ринку, які є наслідком підзвітності, операційної цілісності, прозорості, підвищення ефективності управління та ради директорів, зниження ризиків і загального поліпшення процесу прийняття рішень. Метою даного дослідження є оцінка впливу прийняття розумних принципів корпоративного управління на вартість акцій компаній, що ведуть торги на Бухарестській фондовій біржі. За результатами проведеного емпіричного дослідження виявився чіткий зв'язок між ціною акцій, балансовою вартістю і нашим індексом оцінки корпоративного управління та, меншою мірою, зв'язок між ціною акцій і нашим індексом оцінки корпоративного управління.

Ключові слова: корпоративне управління, ринок капіталу, ціна акцій, співвідношення ціни і балансової вартості, розкриття інформації, Румунія, БФБ.

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ПРИНЯТИЕ НАДЕЖНЫХ ПРИНЦИПОВ КОРПОРАТИВНОГО УПРАВЛЕНИЯ – ПЕРСПЕКТИВНЫЙ ПОДХОД К ВЛИЯНИЮ НА ЦЕНЫ АКЦИЙ РУМУНСКИХ ЛИСТИНГОВЫХ КОМПАНИЙ

Устойчивое экономическое развитие и успешный бизнес обусловлены принятием надлежащих принципов корпоративного управления и их правильной реализацией. Существует обширный объем исследований, охватывающих финансовые и бухгалтерские инструменты для установления надежных связей между качественными основами корпоративного управления и показателями листинговых компаний на фондовом рынке, которые проистекают из подотчетности, операционной целостности, прозрачности, повышения эффективности управления и совета директоров, снижения рисков и общего улучшения процесса принятия решений. Целью настоящего исследования является оценка влияния принятия разумных принципов корпоративного управления на стоимость акций компаний, торгуемых на Бухарестской фондовой бирже. По результатам проведенного эмпирического исследования выявилась четкая связь между ценой акций, балансовой стоимостью и нашим индексом оценок корпоративного управления и, в меньшей степени, связь между ценой акций и нашим индексом оценки корпоративного управления.

Ключевые слова: корпоративное управление, рынок капитала, цена акций, соотношение цены и балансовой стоимости, раскрытие информации, Румыния, БФБ.

Appendix 1. Primary sample study data

| Symbol | Name | Category | Sector | P | PBR | CGS |
|--------|---|----------|--|---------|---------|---------|
| ALR | ALRO S.A. | Standard | manufacturing | 3.9728 | 2.0559 | 18.0000 |
| ALT | ALTUR S.A. | Standard | manufacturing | 0.0308 | 0.4007 | 31.0000 |
| ALU | ALUMIL ROM INDUSTRY S.A. | Standard | wholesale and retail | 1.8679 | 0.9128 | 29.0000 |
| ARM | ARMATURA S.A. | Standard | manufacturing | 0.2163 | -0.7813 | 8.0000 |
| ARS | AEROSTAR S.A. | Standard | manufacturing | 5.0905 | 3.0643 | 24.0000 |
| ART | TMK – ARTROM S.A. | Standard | manufacturing | 4.2303 | 0.9443 | 34.0000 |
| ARTE | ARTEGO SA | Standard | manufacturing | 6.9733 | 0.9021 | 9.5000 |
| ATB | ANTIBIOTICE S.A. | Premium | manufacturing | 0.5306 | 0.8545 | 33.5000 |
| BCM | CASA DE BUCOVINA-CLUB DE MUNTE | Standard | hotels and restaurants | 0.0685 | 0.3077 | 24.0000 |
| BIO | BIOFARM S.A. | Premium | manufacturing | 0.3203 | 1.4585 | 18.5000 |
| BRD | BRD – GROUPE SOCIETE GENERALE S.A. | Premium | financial intermediation and insurance | 15.4333 | 1.5303 | 33.0000 |
| BRK | SSIF BRK FINANCIAL GROUP SA | Premium | financial intermediation and insurance | 0.0739 | 0.4182 | 31.0000 |
| BRM | BERMAS S.A. | Standard | manufacturing | 1.0572 | 0.9521 | 16.0000 |
| BVB | BURSA DE VALORI BUCURESTI SA | Premium | financial intermediation and insurance | 28.1801 | 2.0172 | 34.0000 |
| CAOR | SIF HOTELURI SA | Standard | hotels and restaurants | 1.6000 | 0.5173 | 14.5000 |
| CBC | CARBOCHIM S.A. | Standard | manufacturing | 9.7000 | 0.7242 | 10.0000 |
| CEON | CEMACON SA | Standard | manufacturing | 0.7473 | 0.7795 | 31.0000 |
| CMF | COMELF S.A. | Standard | manufacturing | 2.0652 | 0.6551 | 15.5000 |
| CMP | COMPAS S.A. | Standard | manufacturing | 0.9656 | 0.5223 | 29.5000 |
| CNTE | CONTEAD SA | Standard | manufacturing | 21.2638 | 0.5308 | 18.0000 |
| COMI | CONDMAG S.A. | Standard | constructions | 0.0175 | -2.3272 | 3.5000 |
| COTE | CONPET SA | Premium | transport and storage | 11.4913 | 1.4660 | 33.5000 |
| COTR | TRANSILVANIA CONSTRUCTII SA | Standard | constructions | 32.4786 | 0.2828 | 25.0000 |
| DAFR | DAFORA SA | Standard | extractive industry | 0.0211 | -1.3402 | 3.5000 |
| ECT | GRUPUL INDUSTRIAL ELECTROCONTACT S.A. | Standard | manufacturing | 0.0115 | 0.1115 | 16.0000 |
| EFO | TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A. | Standard | hotels and restaurants | 0.0910 | 0.2273 | 27.0000 |

| | | | | | | |
|------|--------------------------------------|----------|--|----------|---------|---------|
| EL | SOCIETATEA ENERGETICA ELECTRICA S.A. | Premium | electricity, heat and gas suppliers | 11.3928 | 1.0044 | 34.0000 |
| ELGS | ELECTROARGES SA | Standard | manufacturing | 1.4226 | 1.5315 | 11.5000 |
| ELJ | ELECTROAPARATAJ S.A. | Standard | manufacturing | 0.1250 | 0.4490 | 20.0000 |
| ELMA | ELECTROMAGNETICA SA | Premium | manufacturing | 0.1302 | 0.2785 | 24.0000 |
| EPT | ELECTROPUTERE S.A. | Standard | manufacturing | 0.0120 | -0.0672 | 16.0000 |
| FP | FONDUL PROPRIETATEA | Premium | financial intermediation and insurance | 0.9611 | 0.8315 | 34.0000 |
| IARV | IAR SA BRASOV | Standard | manufacturing | 9.0352 | 1.3173 | 31.0000 |
| IMP | IMPACT DEVELOPER & CONTRACTOR S.A. | Premium | constructions | 0.9099 | 0.5855 | 32.5000 |
| M | MEDLIFE S.A. | Premium | healthcare | 29.8529 | 3.9404 | 30.0000 |
| MECE | MECANICA FINA SA | Standard | manufacturing | 7.5000 | 0.1887 | 4.0000 |
| MECF | MECANICA CEHLAU | Standard | manufacturing | 0.1420 | 0.7074 | 24.0000 |
| NAPO | SOCIETATEA DE CONSTRUCTII NAPOCA SA | Standard | constructions | 1.6418 | 0.2314 | 8.5000 |
| OIL | OIL TERMINAL S.A. | Standard | transport and storage | 0.1635 | 0.2105 | 28.0000 |
| OLT | OLTCHIM S.A. RM. VALCEA | Standard | manufacturing | 0.2019 | -0.2536 | 9.0000 |
| PEI | PETROLEXPORTIMPORT S.A. | Standard | wholesale and retail | 3.9000 | -0.0146 | 8.0000 |
| PPL | PRODPLAST S.A. | Standard | manufacturing | 2.7858 | 0.7091 | 13.0000 |
| PREB | PREBET SA AIUD | Standard | manufacturing | 0.2820 | 0.4876 | 26.0000 |
| PREH | PREFAB SA | Standard | manufacturing | 0.9348 | 0.2294 | 20.5000 |
| PTR | ROMPETROL WELL SERVICES S.A. | Standard | extractive industry | 0.3360 | 0.7637 | 16.0000 |
| RMAH | FARMACEUTICA REMEDIA SA | Standard | wholesale and retail | 0.4348 | 1.1236 | 32.0000 |
| ROCE | ROMCARBON SA | Standard | manufacturing | 0.1510 | 0.2996 | 25.0000 |
| RPH | ROPHARMA SA | Standard | wholesale and retail | 0.3366 | 1.1842 | 32.0000 |
| RRC | ROMPETROL RAFINARE S.A. | Standard | manufacturing | 0.0558 | 0.9543 | 17.5000 |
| RTRA | RETRASIB SA | Standard | manufacturing | 0.2960 | -4.0170 | 12.5000 |
| SCD | ZENTIVA S.A. | Standard | manufacturing | 3.3593 | 3.8053 | 21.0000 |
| SCPS | NATURA QUATTUOR ENERGIA HOLDINGS | Standard | financial intermediation and insurance | 0.5650 | 15.0310 | 23.5000 |
| SIF1 | SIF BANAT CRISANA S.A. | Premium | financial intermediation and insurance | 2.6843 | 0.6118 | 33.0000 |
| SIF2 | SIF MOLDOVA S.A. | Premium | financial intermediation and insurance | 1.4408 | 0.8589 | 34.0000 |
| SIF3 | SIF TRANSILVANIA S.A. | Premium | financial intermediation and insurance | 0.2264 | 0.5116 | 31.5000 |
| SIF4 | SIF MUNTENIA S.A. | Premium | financial intermediation and insurance | 0.8532 | 0.5713 | 29.0000 |
| SIF5 | SIF OLTENIA S.A. | Premium | financial intermediation and insurance | 2.1698 | 0.7836 | 31.0000 |
| SNG | S.N.G.N. ROMGAZ S.A. | Premium | extractive industry | 37.5423 | 1.5541 | 30.0000 |
| SNN | S.N. NUCLEARELECTRICA S.A. | Premium | electricity, heat and gas suppliers | 8.1947 | 0.3329 | 31.5000 |
| SNO | SANTIERUL NAVAL ORSOVA S.A. | Standard | manufacturing | 2.9538 | 0.3773 | 28.0000 |
| SNP | OMV PETROM S.A. | Premium | extractive industry | 0.3056 | 0.6281 | 31.0000 |
| SOCP | SOCEP S.A. | Standard | transport and storage | 0.2834 | 0.6782 | 9.5000 |
| SPCU | BOROMIR PROD SA | Standard | manufacturing | 0.3652 | 0.8920 | 24.0000 |
| STZ | SINTEZA S.A. | Standard | manufacturing | 0.2661 | 0.3759 | 20.0000 |
| TBM | TURBOMECANICA S.A. | Standard | manufacturing | 0.2801 | 1.7214 | 30.0000 |
| TEL | C.N.T.E.E. TRANSELECTRICA | Premium | electricity, heat and gas suppliers | 22.9774 | 0.6323 | 33.0000 |
| TGN | S.N.T.G.N. TRANSGAZ S.A. | Premium | transport and storage | 408.3152 | 1.2919 | 28.5000 |
| TLV | BANCA TRANSILVANIA S.A. | Premium | financial intermediation and insurance | 2.6435 | 1.6465 | 34.0000 |
| TRP | TERAPLAST SA | Standard | manufacturing | 0.4434 | 1.9932 | 31.0000 |
| TUFE | TURISM FELIX S.A. | Standard | hotels and restaurants | 0.2245 | 0.5475 | 19.0000 |
| UAM | UAMT S.A. | Standard | manufacturing | 1.3835 | 0.5539 | 8.0000 |
| UZT | UZTEL S.A. | Standard | manufacturing | 1.5000 | 0.1312 | 18.0000 |
| VESY | VES SA | Standard | manufacturing | 0.0450 | 0.6242 | 20.0000 |
| VNC | VRANCART SA | Standard | manufacturing | 0.1866 | 0.9997 | 24.0000 |