
The implications of financial performance on stock exchange indicators of listed companies: empirical evidence for the Romanian capital market

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Abstract

This paper examines and quantifies the implications of financial indicators of performance on the share return of companies listed on Bucharest Stock Exchange. These implications are even more relevant as the Romanian capital market could benefit from increased visibility with its reclassification as an emerging capital market in the near future. The research is conducted at the level of 33 companies listed on BSE for the time frame 2011-2013, building a multiple linear regression model that quantifies the variation in price to book value depending on the evolution of nine financial indicators of performance out of a total of 38 such possible indicators. Correcting the effects of serial correlation within the model led to its respecification resorting to the generalized differences procedure. The value of the R-squared coefficient of determination for the processed model is 0.543, eight of the nine independent variables being significant at the 1% level. The 0 probability associated to the F-test as well as its value confirm that the regression equation is globally significant. Also, all the assumptions for validating the estimated model are confirmed, both general ones, characteristic to the multiple linear regression procedure, and, in particular, according to the specific set of data under processing. The applied usefulness of the regression model is valued in the next step of the research, that of testing the effectiveness of the Romanian capital market, after which it was found that the influence of financial performance indicators was already incorporated into the market price since the end of the reporting period.

Keywords: *Financial performance, stock exchange performance, listed companies, Bucharest Stock Exchange, market efficiency, multiple linear regression model.*

JEL Classification: C33, C51, C52.

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