
The Value Relevance of Non-Financial Reporting in Determining the Market Value of Equity

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Abstract

The value relevance of non-financial reporting is a topic of interest in the academic literature, the results of empirical research being often contradictory. In this context, the research objective is analysing the extent to which the disclosure of non-financial information related to sustainable development in the contents of sustainability reports published by companies listed on the regulated market of the Bucharest Stock Exchange (BSE) is influencing their market value. To conduct the analysis, the present study involves the application of multiple linear regression models developed based on the Ohlson (1995) model for a sample of 34 companies listed on BSE between 2015-2019, forming a number of 166 firm-year observations. The research methodology is based on the association between the firm market value and its equity book value, as well as its net income and other relevant information. Therefore, the value relevance is investigated through their impact on the market value. The findings emphasise an increase in relevance in terms of the influence exerted on the market value of capital as a result of reporting on sustainability issues. Moreover, the study highlights an increase in the impact of equity book value and net income on firms' market value in the period after the adoption of Directive 2014/95/EUD (2017-2019), compared to the previous period (2015-2016). This research complements the literature in the field of sustainability reporting and value relevance, providing empirical evidence on the importance of publishing non-financial information in relation to their market value impact.

Key words: sustainability; Sustainable Development Goals (SDG); value relevance; market value; listed companies; empirical research

JEL Classification: M40, M41, Q56

To cite this article:

Nechita, E. (2021), The Value Relevance of Non-Financial Reporting in Determining the Market Value of Equity, *Audit Financiar*, vol. XIX, no. 2(162)/2021, pp. 320-336, DOI: 10.20869/AUDITF/2021/162/009

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2021/162/009>

Received: 15.02.2021

Revised: 19.02.2021

Accepted: 20.03.2021