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DOCTORAL THESIS
SUMMARY

THE INFLUENCE OF THE FINANCIAL STRUCTURE ON THE MARKET VALUE OF THE COMPANIES LISTED ON THE BUCHAREST STOCK EXCHANGE

Scientific coordinator:
Professor Ioan E. Nistor, PhD

Doctoral candidate:
Mircea Tiberiu Ducai

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Keywords: financial structure, major financial decisions at corporate level, fundamental financial objective, corporate governance, determining factors of the financing decision, theories of the financial structure, the market value of the company

INTRODUCTION

The continuous development of each company's business requires decision-making in order to achieve its goals, among which the fundamental financial objective occupies the central role.

In the context of major corporate financial decisions, the financing decision has as its main objective the choice of sources of financing and the establishment of some proportions

of these sources according to certain determinants and the cost of obtaining the respective sources (author's interpretation according to Nistor, 2002; - Mişu, 2009).

As a result, the financial structure of the company is the immediate and concrete way of implementing the financing decision.

In order to make its activities more efficient, the company's management needs to take the most appropriate decisions in order to meet the company's fundamental financial target, which is either to maximize stock market capitalization for stock listed companies or maximize value for companies, in the case of non-traded companies on the capital market (interpretation of the author according to Damodaran, 2015, Stancu, 2007)

In the case of the financing decision, the efficiency of the company's activity is achieved by choosing an optimal financial structure, which allows and facilitates the maximization of the company's value and/or the maximization of the stock market capitalization (interpretation of the author according to Damodaran, 2015, Nistor, 2004, Stancu, 2007).

For a better understanding of how the financial structure influences the market value of the companies and how an optimal financial structure can be determined, when accepting its existence, over time several theories of the structure have been elaborated which analyze how the financial structure is the result of the influence of several factors, whether the financial structure may or may not be an optimal level, and on the other hand the way in which the financial structure influences the market value of the company or the stock market capitalization and if it is possible to maximize these values.

Taking into account the theories of the financial structure and a selection of empirical studies on the influence of the financial structure on the company's value, its components or on the variance of the company's value, the empirical research proposed to achieve several objectives among which the most important are the followings:

presentation and explanation of the financial structure concepts and market value of the company and their relationship with major corporate decisions in order to achieve the company's fundamental financial objective;

- the theoretical and empirical analysis of how dividend policy and social capital increase (especially through cash contributions) - as proof of the protection of minority shareholders' rights - influence future financing decisions in the context of the essential aspects of corporate governance
- establishing, presenting and analyzing (in terms of the most relevant theories of the financial structure) the influencing factors of the financial structure and the market value of the company, presenting the most important theories of the financial

structure, with particular emphasis on the possibility of selection an optimal financial structure, tracking how the financial structure influences the market value of the company or its stock market capitalization and highlighting the microeconomic influencing factors of the financial structure within each theory and their way of action;

- the presentation of the key aspects of international empirical studies on the influence of the financial structure on the value of companies and the comparison of the results obtained with regard to the existence of an impact of the financial structure on the value of the companies and their type (positive or negative)
    - selecting among the microeconomic factors (company specifics), the most relevant and common influencing factors of the financial structure and the market value of the companies, the last ones being selected on the basis of the most important theories of the financial structure and of the empirical studies , created, mentioned before;
    - designing regression models to analyze how companies listed on the Bucharest Stock Exchange make financing decisions under the influence of the selected microeconomic determinants and compare the resulting financing mode to that described by one of the theories of the financial structure (if possible)
    - designing regression models to analyze the influences of the financial structure and its determinants on the market value of companies listed on Bucharest Stock Exchange and comparing the resulting influences with those described by the theories of the financial structure (the main objective)

The motivation for this research lies in the necessity of presenting and analyzing the theories of the financial structure from a perspective focused on aspects related to the market value of the companies and on the aspects related to the existence of an optimal financial structure and the way of obtaining it. Also, the research was conducted in order to analyze the way the financial structure exerts on the market value of companies listed on Bucharest Stock Exchange, allowing to highlight the way in which the financial structure (increase or decrease of the debt) must be adjusted in order to increase the market value of companies. In this way, the research enables the companies listed on Bucharest Stock Exchange understanding the impact of the financing decision on their market value and how this decision can be improved to increase the market value of those companies. Also, the research allows the enrichment of studies conducted on the capital market regarding the influence of the financial structure on

the market value of the companies, and those regarding the determining factors of the financial structure.

The theoretical and applied research included in this thesis was organized in four chapters. In the first chapter of the thesis I presented the essential aspects regarding the major financial decisions of the companies. In connection with the major financial decisions at corporate level, especially with the financing decision, I have highlighted the importance of protecting the minority shareholders's rights for the financing decision and why the protection of the minority shareholders's rights is demonstrated by the dividend policy and the increases in the share capital, capital contribution in cash. I have presented then the concept of financial structure and the multitude of indicators through which it can be determined. Also in the first chapter of the thesis I made a selection of the influencing factors of the financial structure and the market value of the companies and I mentioned the most important microeconomic influencing factors of the financial structure and the companies' value selected on the basis of the main aspects theories of the financial structure. Towards the end of the chapter, I have made a classification of financing sources which I consider necessary due to the rather high number of forms of social capital used in calculating the indicators of the financial structure, capital forms that are financing sources. At the end of the chapter I made a presentation and an explanation of the fundamental financial objective of the company and the link between it and the market value of the companies, which will highlight the importance of the market value of the companies, presenting on this occasion the way of calculating it.

In the second chapter I made an analysis of the main theories of the financial structure. In the analyzed theories are presented the essential aspects of Modigliani and Miller's theory in the absence or in the presence of corporate taxes, trade-off theory, pecking order theory, agency theory (among which the main theory is of Jensen and Meckling), signalling company's quality with the proportion of debt/ incentive signalling approach and the theory of synchronization with the stock market. In the case of these theories, I focused on the "classical" aspects of the determining factors of the financial structure and, on the other hand, on the aspects of how the market value of the company is influenced by its microeconomic determinants, both for the financial structure and for the market value of the company as well as on the existence of the optimal financial structure and the way it is determined. In this respect it was emphasized on one hand that all the theories of the financial structure accept the influence of the financial structure on the market value of the companies or on the stock market capitalization, except for Modigliani and Miller's theory in the absence of corporate taxes, but on the other hand I proved that not all the theories of the financial structure accept the idea of having an optimal financial structure. During the second chapter

and in the conclusions related to it, some positive aspects and some criticisms associated with these theories are presented.

In the third chapter I presented studies that show how the financial structure or debt influences the value of the company, its variation or the value created for shareholders, in a more general context or in different specific contexts.

Thus, the analysis of the studies conducted by Alonso et al., 2005; Carpentier, 2006; Atiyet, 2012 show how the financial structure influences the companies with different growth opportunities, I analyzed the influence of the debt growth rate on the market value of the equity and the influence of the financial structure on the value added and the market value added.

Also, the influence of the financial structure on the market value of the company was also analyzed in a specific context, such as that of the staggered boards, the execution of hedging operations or the realization of synchronization operations with the bond market in accordance with the studies conducted by Jiraporn & Liu, 2008; Khediri & Folus, 2010; Song, 2009. It also presents how debt and financial structure influence the market price of shares in the context of analyzing investment efficiency and the effects of the financial structure on abnormal cumulative returns as a measure of company performance in the studies conducted by Giner & Reverte, 2001 respectively Muradoglu & Sivaprasad, 2012.

In the fourth chapter I conducted an analysis of the listed companies on the regulated market of the BSE regarding the influence of the determining factors on the financial structure and the influence of the financial structure and its determining factors on the market value of the companies, I first made a selection of the most important microeconomic determinants. To achieve this, non-financial companies listed on the regulated market of BSE were selected, which were continuously traded between 2005 and 2015, but shorter than one year. Also in the fourth chapter is presented an analysis of the descriptive statistics and the range of indebtedness to which a high market value of the companies corresponds.

For estimating the impact of the determinants on the financial structure of the companies and the influence of the financial structure and its determinants on the market value of the companies in the sample, several regressions are estimated and the type of influences exerted by the explanatory variables on the dependent variables are estimated. On this occasion is presented also the way of calculating explained and explicative variables, with the mention that the financial structure has both a variable role explained in the first regressions estimated, and a role of explanatory variable in the last regressions.

After making these estimates there have been achieved the results obtained in the conclusions of the theories of the financial structure frames.

SUMMARY OF CHAPTERS INCLUDED IN THE DOCTORAL THESIS

SUMMARY OF CHAPTER 1

The first chapter of the thesis made an introduction to the theoretical field of major financial decisions at the corporate level, highlighting the financing decision of the companies, while presenting some aspects of applicative character.

From a theoretical point of view, the financing decision involves going through a rational process of selecting a more operative alternative to financing and investment. The purpose of the financing decision is of financial nature and primarily aims at increasing product return, activity and company level, maintaining company liquidity, assessing risks and taking measures to avoid or cover them (Bărbuţă - Mişu, 2009).

With regard to major corporate decisions, financing, investment and dividend decisions need to be optimized to achieve the company's fundamental financial goal (the interpretation of the author according to Damodaran's 2015).

The major financial decisions at corporate level Damodaran (2015) show that they concern the financing decision, the investment decision and the dividend (profit sharing) decision. In the context mentioned, Bârbuţă-Mişu (2006) show that the investment decision must be correlated with the financing decision so that the return on investment is higher than the cost of the capital, regardless of the type of financial structure chosen, considering that the investment decision takes precedence over of the financing decision.

Taking into account the three major financing decisions at the corporate level, I have shown that there may be conflicts of interest at each company level, which can be improved through corporate governance mechanisms. Those that realize the disciplining internal stakeholders to optimize those three major financial decisions at the corporate level in order to achieve the ultimate objective of the company.

Within these mechanisms, (classified into internal mechanisms of micro corporate governance or external mechanisms of macro corporate governance) according to Iskander & Chamlou (2000) and Berglof (2011) one of the most important mechanisms is the Corporate Governance Code, based on the principles of corporate governance, issued by the OECD as shown by Wagner et al. (2005).

The overriding need to mitigate conflicts of interest through corporate governance stems from the fact that, in general, agency conflicts have a negative effect on the company's market value because they have an impact on the three major corporate financing decisions. Within these conflicts of interests, with particular importance in relation to the lack of adequate protection of minority shareholders.

Therefore, as a result of inappropriate protection of the minority shareholders' rights, companies in this situation will find it more difficult to attract new shareholders and increase share capital (Shleifer & Vishny, 1997; Dragotă, 2006). This will obviously result in a decline in the share price and the market value of the companies (Jensen & Meckling, 1976; Berglof, 2011).

In the context presented, Shleifer and Vishny (1997) and Dragotă (2006) show that in the absence of adequate protection of minority shareholders, companies will not be able to attract new sources of external financing in the form of capital increases by capital contribution in cash. In this respect, Shleifer (1997) gives the example of young companies with a concentrated shareholding and fast-growing companies that will be able to attract additional capital through share repurchases based on a reputation. Also, Shleifer and Vishny (1997), based on Gomes' (1996) research, show that the reputational effect is also determined by the payment of dividends to shareholders, which allows the raising of capital through share issues, controlling shareholders, and the expropriation of small investors.

Also, Shleifer and Vishny (1997) and Dragotă (2006) have shown that attracting new capital through new cash contributions is stimulated by an appropriate dividend policy. Consequently, starting from the aspects shown by Shleifer and Vishny (1997) and Dragotă (2006), it results that capital increases through new cash contributions and dividend policy are proofs of the protection of the rights of minority shareholders, aspects that have been studied from an empirical point of view at the level of the Romanian capital market.

The study conducted at the level of the regulated capital market in Romania highlighted the fact that at the level of the companies listed, which granted dividends from the profits of the years 2004-2015, the dividend distribution rate is generally over 50%. Due to this fact, it can be considered that, from the point of view of the dividend policy, the companies that distribute dividends provide a proper protection of the rights of the minority shareholders. It was also pointed out that non-financial enterprises, owned by more than 50% of minority shareholders, generally have dividend distribution rates from 2007-2015 profits higher than those held by more than 50% of majority shareholders. As a result, it could be inferred that minority shareholders have a greater protection of the rights of minority shareholders.

However, as both non-financial corporations owned by minority shareholders and those held by majority shareholders grant high dividends from the profits of those years, these distribution rates being generally more than 50% and for companies owned by majority shareholders is uncertain if the minority shareholders of the companies owned by majority shareholders are protected to a lower extent than in the case of companies with minority shareholders or if the distribution rates of the dividends of the companies with majority shareholders (lower than those of the companies with minority shareholders) is due to other reasons. In addition, taking into account the number of companies on the regulated dividend market compared to the total number of companies traded on the regulated market at the end of each year, published on the BSE website, it is noted that the share of dividend companies in the total of traded companies on the regulated market is predominantly low for most years or average in some years, due to the preference for self-financing, the existence of growth opportunities or the existence of accounting losses.

Regarding the share capital increases made by the companies traded on the regulated market at the end of 2015, from 2004 until 2015 it was found that both the total number of the share capital increases and the number of the share capital increases made by sources is low. Due to this fact from the strict point of view of the increases of the social capital made in cash, it was considered that the companies under consideration have a low protection of the minority shareholders. Nevertheless, as the increases in the share capital can be determined by many other factors, it is difficult to draw a conclusion regarding the degree of protection

of the minority shareholders, considering only the aspects related to the increases in the share capital.

Also, the first chapter defines the financial structure, showing that there is no unique way of defining and determining it, especially due to the fact that at the level of the financial literature there is a large number of indicators by which the financial structure can be determined. In this context, I have considered the financial leverage and leverage ratio (the total indebtedness ratio, the global indebtedness capacity) among the most important financial structure indicators, which are used in the fourth chapter of the thesis to analyze both the impact of the determinants of the financial structure on it, as well as the influence of the financial structure and its determinants on the market value of the companies listed on BSE. In this context I have showed the importance of an optimal financial structure in order to reach the fundamental objective of the companies, and the fact that the optimization of the financial structure requires a 3-step process, starting from the aspects presented by Ursu (2013).

Within the first chapter of the thesis are also presented the influencing factors of the financial structure and the market value of the companies, showing that they can be classified into microeconomic factors (business characteristics) and macroeconomic factors, taking into consideration especially the classification made by Botezat -Stoichină (2009).

Taking into account the studies conducted by Frank & Goyal (2009), Myers (2003), Fama & French (2002), Harris & Raviv (1991), Jensen (1986); Baker & Wurgler, (2002), Moldovan (2004), Dragotă, (2006) and Silaş (2007), the microeconomic factors influencing the financial structure and market value of the company refer to: investment opportunities, return, size (dimension) of the company, the nature of assets (asset tangibility), the dividend policy rate (dividend distribution), taxes / taxation, economic and financial risk, and the conditions of the branch of activity. Macroeconomic factors refer, according to the above mentioned authors, to inflation, interest rates, exchange rate, supply-side factors, equity market conditions, cyclical factors respectively international and cultural factors.

In this context, I have shown that in our opinion - starting from the main studies that theoretically and/or empirically analyze the theories of the financial structure, such as the studies of Myers (2003), Fama & French (2002), Harris & Raviv 1991), Baker & Wurgler (2002), Frank & Goyal (2009) - the main microeconomic factors influencing the financial structure and market value are: growth opportunities (investment), return, asset tangibility, size (dimension) of companies, risk and company history (seniority).

Also in the first chapter, a classification of the financing sources of the companies was made, considering this useful because the financial structure is defined by a large number

of indicators, involving the use of several forms of capital companies, which are their sources of financing.

In the theoretical research is defined the fundamental objective of the company, showing that according to the presented aspects, there is a divergence of opinions regarding the maximization of the value of the company or of the stock market capitalization, which determines that for the companies traded on the capital market the objective is the maximization of the stock market capitalization and, in the case of the non-traded ones, the objective of maximizing the value of companies (the interpretation of the author Damodaran 2015, Stancu, 2007)

In addition, there are presented the ways of calculating the intrinsic value and the market value of the company and are briefly presented, in order to link with the second chapter, some essential aspects of how the financial structure influences the market value of the company within the most important theories of the financial structure, the last ones being presented in detail in the second chapter of the thesis.

In this context, the Company's intrinsic value "is the present value of expected cash flows, updated at a previous rate that reflects both the firm's risk and the funding mix used" (Damodaran, 2015). On the other hand, the market value of the company is equal to the sum of the market value of equity and debt (Damodaran, 2015).

Last but not least, in the context of the chosen research subject, the importance of market value lies in the fact that it facilitates the analysis of the influence by which the financing decisions contribute to the fulfillment of the fundamental financial objective, regardless of whether it is maximizing the market value of the company or maximizing stock market capitalization. In this context, the financial structure theories analyze financing decisions that have the effect of modifying financing costs and changing the market value of companies (including maximizing it), some of these theories, also taking into account agency costs, even if not all of these theories take into consideration the existence of an optimal financial structure.

SUMMARY OF CHAPTER 2

THEORY OF COMPANIES' FINANCIAL STRUCTURE

In this chapter I presented the essential aspects of the main theories of the company's financial structure. In relation to these theories, the most important are: Modigliani and Miller's theorem, trade-off theory, pecking order theory (theory of hierarchical financing), agency theories, signalling company's quality with the proportion of debt/ incentive signalling approach (signalling theory) and the theory of market synchronization.

Modigliani and Miller's theory in the absence of corporate taxes show that the financial structure does not influence the market value of a company, especially that the expected return of an action is equal to the sum of the weighted average cost of capital and a risk premium determined by the product of the lever and the difference between the weighted average cost of capital and the average interest rate on the contracted loans (Modigliani & Miller, 1958).

Modigliani and Miller's theory, despite its many criticisms, has the merit of being the first theory that explains the relationship between the financial structure, the market value of the company and the cost of capital by means of quantitative methods based on calculation formulas. This merit is all the more important as companies face financial structure, market value and cost of capital problems long before this theory emerges. Also, this theory, in the presence of corporate taxes, is the first theory that highlighted the tax deductibility of interest, underlying other theories, such as the trade-off theory.

In the presence of corporate tax, Modigliani and Miller (1963) have shown that the value of the indebted company is equal to the value of the untaxed company plus tax savings proportional to the level of interest-bearing debt and the fact that in the case of a indebted company return of the shares equals the return of an indefinite company plus a risk premium

corrected with the tax savings determined by the tax deductibility of the interest, also the fact that in the case of a indebted company, the cost of the capital under tax conditions is lower than that of an indefinable company (Modigliani & Miller, 1963; Stancu, 2007, Brezeanu, 2009).

The trade-off theory shows that there is an optimal financial structure and that this is achieved by balancing the current value of marginal tax savings with the present value of marginal costs of insolvency. Also, the theory shows that the value of a lender is equal to that of an indebted company plus the current value of "the difference between the tax advantage of indebtedness and the costs of insolvency" (Kraus & Litzenberger, 1973).

Taking into consideration the aspects presented by Kraus & Litzenberger, (1973) and Myers, (1984), in this theory, maximizing the market value of the company according to its present value is achieved by increasing or decreasing current indebtedness relative to the level optimum.

As a result of an optimal financial structure based on a balance between the factors mentioned to the contrary, Myers (2003) shows that this theory supports a moderate indebtedness. That's why this theory has the merit of supporting the existence of an optimal financial structure, operational from a practical point of view.

We also believe that in the existing dispute over the existence of an optimal financial structure that emerged with the first variation of Modigliani and Miller's theory (1958), the trade-off theory is one of the most important theories that support the existence of an optimal financial structure, in contrast to the theories that support the lack of an optimal financial structure, among which the most important in our opinion is the hierarchy of funding sources.

The theory has the merit of explaining why "large, secure firms with tangible assets tend to borrow more than small, risky firms and preponderant intangible assets." However, the theory cannot explain why firms with high return have a low indebtedness and do not explain historically the use of debt by companies before the emergence of savings driven by tax deductibility of interest (Myers, 2003, Jensen & Meckling, 1976).

The theory of funding hierarchy shows that there is an asymmetry of information in the capital market between company managers and external investors about the company's assets and investment opportunities, which leads to a sub-valuation of the company's stock price and a transfer of value from the old (Myers & Majluf, 1984, Myers, 1984; Myers, 2001, Myers, 2003). As a result, company managers will use internal financing source from retained profits as the main source of funding, and companies then use risk-free debt finance, then hybrid securities and ultimately equity (Myers, 1984; Frank & Goyal , 2003; Myers, 2003).

Under this theory, stock issues determine the fall in share prices while debt increases do not influence the price of shares (Myers & Majluf, 1984; Myers, 2003, Harris & Raviv, 1991). The theory also supports the inexistence of an optimal financial structure (Myers, 2003; Myers, 2001).

As a consequence of the financing order presented, this theory has the merit of explaining the negative relationship between return and indebtedness found in current business activities, this correlation not being borne in mind by Myers (2003) of the existence of a low indebtedness target, internal financing (author's interpretation according to Myers, 2003). Also, the theory may explain why "most of the fundings come in the form of debt" (Myers, 2001).

The theory of funding hierarchy is being criticized, such as the possibility that managers may not pursue the interests of shareholders, the fact that managers may not be interested in the market price of shares or that the theory does not take into account a stimulus policy of managers and does not explain "why no tactics are developed to avoid the consequences of managers' superior information", the too much theory of simplicity, and the inability to explain the low indebtedness of small companies and high growth opportunities (Myers, 2003).

Regarding the agency theories, the most important is that of Jensen and Meckling (1976).

This theory shows that due to external financing needs, conflicts may arise between managers who also have the capacity of shareholders of the company and the new shareholders. The conflicts are determined by the decrease in the share held in the share capital by managers who will pursue their own interests, spending the company's resources to obtain some additional benefits in the form of the acquisition by the company of assets used for personal purposes by managers, obtaining higher salaries than the market level, or even the acquisition of the company's assets or cash flows. As the proportion of the managers in the company's share capital decreases, they will want to gain a higher level of additional benefits that will only be obtained by them, while the cost of these benefits will be borne by the new shareholders , which will cause conflicts and agency costs (Jensen & Meckling, 1976, Harris & Raviv, 1991, Myers, 2003).

To avoid these agency costs associated with conflicts between shareholders and managers, managers will first prefer internal funding, followed by leverage financing, which allows the share of managers to be held in the share capital, and if the debt is too increased, resulting in asset agency costs caused by asset substitution, shareholders will issue shares to diminish their conflicts with creditors. This leads to a hierarchical financing and an optimal

financial structure resulting from the balance between agency costs and the benefits of indebtedness (Jensen & Meckling, 1976, Myers, 2003, Harris & Raviv, 1991).

Some authors (Shleifer & Vishny, 1997; Tricker, 2015; Letza, 2008) show that agency theory is the basis for corporate governance and is a cornerstone of Anglo-Saxon corporate governance systems (based on the governance system of The United Kingdom and the Commonwealth of the United States. As a result of the presented assumptions, we believe that the agency theory of Jensen and Meckling (1976) highlights the need for managers to pursue the interests of shareholders.

The theory of free cash flow explains why companies with low growth opportunities and high cash flow must have a high indebtedness and that debt is a substitute for dividends (and vice versa) in the process of reducing free cash flow (Jensen, 1986). Myers (2003) considers that this theory is one of the consequences of over-indebtedness in companies with high free cash flow but does not "provide a principal-agent model of incentives and actions of managers, except to say they are inclined to over-investing" Myers, 2003).

In the second chapter, other agency theories (models) are based on conflicts between shareholders and managers, or between shareholders and creditors who have many similarities to Jensen and Meckling (1976) and Jensen (1986) agency models.

Regarding the signalling company's quality with the proportion of debt/incentive signalling approach, it shows that due to the informational asymmetry between managers and investors, the managerial incentive program determined by the company's market value and insolvency costs, managers of high-profits companies will increase indebtedness by signalling performance and the increase in the cost of insolvency. The optimal financial structure is determined by the balance between the actual value of signalling and the consequences of the managerial stimulation program (Ross, 1977, Myers, 2003, Harris & Raviv, 1991).

The theory of synchronization with the stock market shows that companies adjust their financial structure according to the opportunities created by the stock market, exploiting price fluctuations and the cost of equity, which determines that the market value of equity is the one that determines the financial structure even if it is not possible to establish an optimal one (author's interpretation of Baker & Wurler, 2002). Thus, the theory highlights the fact that enterprises perform synchronization operations with the market when the stock price is high or when the cost of the shares is relatively low and redeems shares when the market price is low or when their cost is relatively high. Consequently, the financial structure is the "cumulative result of past attempts to synchronize with the market" (Baker & Wurgler, 2002).

From the point of view of the evolution of optimal financial structure theories, there have been many debates about the existence of an optimal financial structure, as a part of these theories support its inexistence and the debate on the need for a universal theory of financial structure.

Regarding the first mentioned debate, I have highlighted in the second chapter some arguments that support the existence of an optimal financial structure for the concrete financing decisions of the companies, starting from some theoretical aspects of the theories of the financial structure. Regarding the second debate, concerning the existence of a universal theory of financial structure, I have presented Myers (2001; 2003) aspect that each of these is applicable in a certain context determined by the conditions were the basis for its conception.
In addition, I have presented some theoretical arguments regarding the impossibility of conceiving a theory of the financial structure that takes into account the whole of the underlying aspects of the emergence of each theory of the financial structure.

SUMMARY OF CHAPTER 3

EMPIRICAL EVIDENCE OF THE RELATIONSHIP BETWEEN THE FINANCIAL STRUCTURE AND THE COMPANY VALUE AT INTERNATIONAL LEVEL

In the theoretical research, the influence of the financial structure on the market value of the companies was analyzed from an empirical point of view, by presenting studies conducted internationally by different authors.

Thus, the studies conducted analyze the influence of the financial structure or the debt on the value of the company either in a general context such as the existence of growth opportunities (study conducted by Alonso et al., 2005), the long-term influences of the financial structure on the market value of equity (study conducted by Carpentier (2006)) and the financial structure on value created for shareholders in the form of the value added and market value added (study by Atiyet, 2012).

The other studies analyzed the influence of the financial structure on the company's market value in a specific context, such as the existence of "staggered boards" (study by Jiraporn & Liu, 2008) performing hedging operations (Khediri & Folus 2010), or synchronization of the financial structure with the bond market (study 2009).

Also, the effect of indebtedness on the share price, in the context of investment efficiency, the company's indebtedness to its optimum level and the company's prospects (study by Giner & Reverte (2001)), was also studied, especially the effect of debt on the company's stock performance in the context of event studies (study by Muradoglu & Sivaprasad (2012)).

The first of the studies presented is the one undertaken by Alonso et al. (2005) which analyzed the influence of the financial structure, dividend policy and shareholding structure on the market value of the companies. The study highlighted the fact that the influence of the financial structure (determined as the degree of indebtedness), of the dividend policy (in the form of the dividend distribution rate) and of the shareholder structure takes place differently on the market value of the companies, in depending on growth opportunities, the latter not being taken into account in regressions, but only for sub-sample distribution.

The study by Carpentier (2006) analyzed the influence of the financial structure, determined as the variation of the debt growth rate over a period of 9 years, on the market value of the equity, determined as the variation in the ratio between the market value and the carrying amount of equity. The purpose of the study was to test the hypothesis of the irrelevance of the financial structure for the value of the company (Modigliani's and Miller's (1958) sentence 1) in opposition to the trade-off theory.

The study conducted by Jiraporn & Liu (2008) analyzed the effects of hierarchically elected boards of directors (defending the position of inefficient managers) on the financial structure, the market value of companies, and the variation in the value of these companies.

In the context studied by the two authors, one of the mechanisms of corporate governance that promotes the defense of managers in the face of attempts to change the management team is represented by hierarchically chosen boards of directors. In the context of agency theory, indebtedness has the role of "mitigating agency costs". Managers' defense measures in their attempts to change influence leverage, and "hierarchical boards can support inefficient managers" in the face of these attempts. Consequently, these boards "can motivate managers to adopt a lower level of debt, thereby avoiding the disciplinary mechanisms associated with indebtedness" (Jiraporn & Liu, 2008).

In this way, managers get a freedom of action on the financial structure, and there are a number of reasons why managers take "lower indebtedness than the optimal level": the risk associated with indebtedness and the constant pressure on managers to "pay off debts." The authors consider that the financial structure deviates from the optimal level due to managers' defense measures with the help of staggered boards, the indebtedness being determined by agency costs and affecting the value of companies.

Atiyet (2012) analyzed the impact of the financing decision on the value created for shareholders (measured by value added economic indicators and market value added), breaking down the financial structure in the form of self-financing, share issues and financial debts. The author has found that the impact of the three components on the value created for shareholders depends on how this value is quantified through the two indicators.

The study conducted by Khediri & Folus (2010) analyzed whether hedging operations have any effect on the market value of companies as well as how indebtedness and other determinants influence the market value of companies.

The two authors conducted an empirical investigation into the effect of hedging derivatives on the market value of the firm, starting from a possible positive influence of hedging operations on the value of the company, identified by some authors such as Allayannis and Weston (2001). Based on the findings made by Ciner (2006), Khediri and

Folus (2010) consider that derivatives transactions are associated with hedging operations, these operations being the reason for trading financial derivatives.

Song (2009) analyzed whether bonding timing operations, through bond maturity, have a role in modifying the cost of capital and market value of companies.

The examination was carried out by analyzing managers' synchronization abilities with the bond market, by comparing the values of the synchronizing companies with the companies that do not synchronize. This means that if managers were successful in implementing synchronization with the bond market, company values would increase.

Otherwise, no such influence would exist, managers would not have synchronization skills and bond markets would be efficient and integrated with stock markets (Song, 2009).
Giner & Reverte (2001) analyzed the influence of the financial structure on the share price by breaking down the accounting value of the shares in the form of assets and liabilities and assessing their impact on the share price. In this respect, the investment efficiency determined by the relationship between the return on investment and the cost of the debt was taken into account in the context of trading-off the tax advantages of debt and/against the bakruptcy costs (by analyzing the closeness or removal from the optimum financial structure) and the company quality signage theory with the proportion of debt (by analyzing growth opportunities) (Giner & Reverte, 2001).

The study conducted by Muradoglu & Sivaprasad (2012) investigated the effect of the financial structure of companies and business sectors on company performance, these performances being considered as an indirect means of measuring the value of companies.

The influence of the "indebtedness on the return of the shares" was made by the two authors "separating the effect of the indebtedness of the branch of activity on the debt of the company and the effect of the composition of the sector".

The overall results of the eight studies considered have highlighted that they can be grouped into three categories. On the one hand, it was pointed out that in some cases the market value (of companies, equity or individual shares) or its variation is positively influenced by the financial structure or debt indicators such as: the degree of indebtedness in the study Alonso et al. (2005) for companies with no growth opportunities, the indebtedness variation (general, not attributable to hierarchy boards of directors) in the Jiraporn & Liu (2008) study, leverage of public utility companies, or indebtedness of the business sector in sectors with low concentration and regulation, in the Muradoglu & Sivaprasad study (2012). Similarly, the added economic value is positively influenced by financial debts in Atiyet's study (2012).

On the other hand, in some cases the market value (of companies, equity, individual shares), its variation or the added market value is negatively influenced by financial structure or debt indicators, such as:

- the degree of indebtedness for companies with growth opportunities, as is the case of Alonso et al. (2005)

-the financial debt of Atiyet (2012),

-the financial lever for the study of Khediri and Folus (2010),

-change of long-term indebtedness over the previous year for Song's (2009) article,

-debts per share if the cost of debt is higher than the return on investment, and the financial structure is deviated from the optimal one or the ratio between the market value and the book value of equity less than its average value in the case of Giner and Reverte)

- lending of companies in low and unregulated sectors in the case of Muradoglu & Sivaprasad (2012).

In spite of these studies, Carpentier (2006) highlighted the lack of influence of the financial structure on the ratio between market value and the book value of equity. Also, the abnormal indebtedness attributed to the "staggered boards" and the product variation between the leverage ratio and the variable of the board of directors chosen hierarchically does not influence the market value of the companies or its variation in the case of the study conducted by Jiraporn & Liu (2008).

SUMMARY OF CHAPTER 4

EMPIRICAL STUDY ON THE FINANCIAL STRUCTURE OF COMPANIES LISTED ON BUCHAREST STOCK EXCHANGE: DETERMINING FACTORS AND THE IMPACT ON THE MARKET VALUE

The study conducted on the Romanian capital market aimed at identifying the main determining factors of the financial structure of the companies listed on the Romanian capital market. The models that have been estimated for this purpose have used two explanatory variables: the degree of indebtedness and the financial leverage.

The second main objective of the empirical study was to analyze the impact of the financial structure on the value of companies. The endogenous variable through which the company's market value is quantified is Tobin's Q Ratio.

The survey is based on a sample of 24 non-financial companies, selected on the basis of similar features observed between 2005 and 2015, ie the years preceding the global financial crisis, the years of crisis, and the post-crisis period.

The empirical analysis is performed on panel data, the variables used are the indicators of the financial structure (leverage and financial leverage), performance indicators (economic return, turnover, growth opportunities), company size indicators (logged value of the total asset value, the logged value of the turnover), the tangibleness of the assets and the market value of the company (Tobin's Q Ratio).

The econometric models elaborated for the Romanian capital market, whose objective was to analyze the influence of the financial structure on the market value of the companies, took into account all stock companies listed on the regulated market of the Bucharest Stock Exchange during 2005-2015 have simultaneously fulfilled two selection criteria in order to obtain a sample of companies with the same general characteristics:

- Companies are not part of the financial sector. Thus, credit institutions, financial investment companies and financial investment services companies have been removed from the sample;

- Companies must be listed on the Bucharest Stock Exchange on the regulated market ("Main Market"). Thus, the companies were listed in categories I, II, III, International or Other International Financial Instruments until 05.01.2015 respectively in the Premium, Standard, International Categories and Other International Financial Instruments as of 05.01.2015 in each of years 2005-2015. Consequently, their trading did not suffer interruptions greater than or equal to 12 months within each calendar year.

On 31.12.2015, which represents the end of the period considered, 84 companies were listed on the regulated market (Main Segment). Of these companies, a total of 28 companies met the two selection criteria outlined above. Subsequently, another 4 companies, which

recorded negative equity values in one or more years of the period, were eliminated as a result of very large cumulative accounting losses.

Based on the values of the variables chosen for
the 24 companies, balancing panel data was obtained, with the help of several econometric models that were estimated, some of them analyzed the influence of the determinants on the financial structure and others analyzed the impact on the financial structure and its determining factors on the market value of the companies.

The determining factors of the company's financial structure and market value were growth opportunities, return, company size, dividend policy, and asset tangibility. These factors are presented by the most important theories of the financial structure, especially the theory of the balance between the tax advantages of indebtedness and the costs of insolvency, the theory of funding sources and the theory of agent Jensen and Meckling.

The financial structure was analyzed through two indicators, the debt ratio and the financial leverage. The company's market value was determined through Tobin's Q ratio. The investment opportunities were analyzed by two indicators: the change in the asset's logarithm at two consecutive times, respectively the market value ratio to the equity value of the equity. Return was determined by economic return (return on assets). The dividend policy was analyzed through the dividend distribution rate. The size of the companies is determined either by the total assets' logarithm or by the turnover logarithm, and the tangibility by the weight of the tangible fixed assets in the total assets.

Descriptive statistics revealed a Tobin' Q ratio of 81.82%, indicating a slight under-valuation of the companies by investors, and the leverage ratio is median of 28.71%, while the leverage has a median of 40.26%, indicating a relatively low indebtedness of the companies in the sample. Economic return is 2.91%, indicating an average return for companies.

It is also pointed out that the economic return registered by companies listed on the Romanian capital market can be explained by the degree of indebtedness. Thus, a low/relatively low indebtedness (<40%) will have positive implications for economic profitability. Financing of companies mainly from external sources (debts) will generate a high degree of indebtedness (> 60%), which will be associated with diminishing economic return and increasing the risk of bankruptcy.

A negative impact on the value of companies listed on the Romanian capital market is generated by the increase in indebtedness. Investors have a risk aversion and associate the existence of a significant degree of indebtedness with an increased risk for companies, generating an under-valuation. Similarly, the lack or insignificant share of debt in financing the business will cause companies to be underestimated.

Companies that use domestic financing sources as a priority are more stable and the existence of a low or relatively low indebtedness ratio in the [0.2, 0.4] range is associated with value creation by capital market investors in Romania.

Also a low level of economic return exerts a negative influence on investors' expectations, generating the under-valuation of companies. On the other hand, the high values of the economic rates of return (0.1, 0.2) will be associated with efficient resource management and will increase the confidence of investors in the future evolution of the companies.

The estimation of the influence of the determining factors on the financial structure, made with the help of several regressions, revealed that regardless of the way of calculating the financial structure, its determinants have an influence in accordance with the theory of financing sources and Jensen's agent theory and Meckling, less in terms of company size. Thus, the financial structure through its two indicators is negatively correlated with return, dividend distribution and asset tangibility, and is positively correlated with the growth and size of the company, most of them have econometric significance.

After this stage, it has been tested the influence of the financial structure and its determinants on the market value of the company.

The analysis of the impact of the financial structure on the market value of the companies was estimated by several sets of regressions. Since the distribution of the Tobin's Q ratio variables is asymmetric, the regressions were mainly estimated according to the logarithm of Tobin's Q ratio. However, a set of regressions and a Q-score of Tobin unlogarithmated were estimated to analyze whether after logarithm the correlation marks are retained in the new regression estimations. The results of the regression estimation revealed that the signs of the correlations between Tobin's Q ratio and its determining factors are maintained after the logarithm of the dependent variable, which demonstrates the robustness of the results.

The results of the regression estimation revealed that Tobin's Q ratio (in logarithmic or non-logarithmic form) exhibits correlations with its determining factors that are dependent in some cases on how to determine the explanatory variables (for some of the indicators that were determined in two modes). Thus the impact of the financial structure on the market value of the companies is positive, regardless of whether the financial structure was determined by the degree of leverage or financial leverage. The impact of the return and dividend distribution rate on the market value of the companies was also positive. On the other hand, the asset tangibility had a negative impact on the market value of the companies. As far as the growth opportunities and the size of the companies were concerned, they had a

negative impact when the respective indicators were determined based on the total value of the assets and a positive impact if they were determined by the alternative method. Thus, the growth opportunities determined by the change in the natural logarithm of the assets had a negative impact on the market value of the companies and when they were determined by the market value to the equity account, the impact on the market value of the company was positive. Similarly, the size of the company had a negative impact when it was determined by the natural logarithm of the assets and a positive impact when it was determined by the natural logarithm of the turnover. An explanation of the different influence on the market value of the companies exercised by the growth opportunities and the size of the companies is based on the negative impact of these indicators determined by the total value of the assets. This impact is due to the fact that the capital market incorporates information on the asset size with a delay, as well as the fact that the value of the assets (expressing the size of the company) or the increase of assets (in the form of growth opportunities) is perceived by the market as a negative signal.

In addition, the results of the estimation point out that in some regressions, the financial structure and its determinants exert influence on the market value of the companies according to the theory of the ranking of the sources of financing for most of the explanatory variables, while in other regressions the financial structure and its determinants and the market value of the company exert an influence in line with the theory of the balance between the tax advantages of indebtedness and insolvency costs for most independent variables.

Also, based on descriptive statistics, it was found that for the [20%; 40%) of the indebtedness, the companies recorded increases in market values, followed by decreases in these values, after rising indebtedness above the above-mentioned range. Also, because the leverage ratio for selected companies has a median of 28.71%, it follows that by increasing the indebtedness to 40%, companies may increase their market value, as we have seen before, the degree the debt ratio being relatively low.

The positive impact of the financial structure on the market value of the companies in the above mentioned range is also supported by the fact that for the same range of indebtedness, maximum levels of economic return are recorded.

GENERAL CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

The development of financial theory has led to the emergence of a number of theories of the financial structure, which have analyzed through determinants how they have an impact on the financial structure and the market value of the company.

As the number of these factors is very high, the research aimed at presenting the majority of them and selecting the most important determinants of the financial structure and the market value of the companies, for their use in regressive models used for companies quoted on Bucharest Stock Exchange.

With regard to the theories of the financial structure, their historical evolution has attempted to capture how companies choose their sources of funding according to their determinants, within a given context (of savings driven by tax deductibility of interest rates, information asymmetry, agency costs, opportunities to synchronize with the debt market), allowing or not to obtain an optimal financial structure. Despite a divergence of views on the

existence of an optimal financial structure, all these theories show that in the case of a capital market with various imperfections, the financial structure influences the market value of the companies, causing to a greater or lesser extent, the fundamental financial objective, by adopting a financing behavior specific to each company or sector of activity.

The overall results of research at the level of the Romanian regulated capital market have highlighted the fact that companies use self-financing in a high proportion, the number of companies granting dividends being relatively low. However, enterprises use second-rate sources of debt, which is also relatively low after using domestic sources of funding.

On the other hand, external financing, coming from its own sources, in the form of social capital increases through cash contributions and in kind contributions, is rarely used by Romanian enterprises, and they do not pay much attention to these ways of acquiring additional capital. As a result, the companies quoted in B.S.E., to a small extent, capitalize on the advantage provided by the capital market, which is to obtain additional financing which may be cheaper and alternative to external financing from bank loans. This financing behavior is in line with the theory of funding sources and the agency of Jensen and Meckling (1976). Taking into account the corporate governance issues presented by Tricker (2015) and Shleifer & Vishny (1997), this demonstrates that even for Romanian listed companies on the regulated market of BSE, external financing decisions are based on a conception strongly rooted in the funding model promoted by the European-wide corporate governance system.

This governance system uses bank credits as an external source of funding.

Last but not least, the fact that, on the one hand, the managers of the Romanian companies listed on B.S.E. make decisions on the financial structure in line with the theory of funding sources and the agency theory of Jensen and Meckling (1976), and on the other hand, the market value of companies is often influenced by the trade-off theory, demonstrate that the theories of the financial structure must be interpreted in a manner appropriate to the context studied.

Assessing the impact of the financial structure on the market value of companies can be analyzed in an expanded context. Thus, in a future research direction, we propose expanding the analysis by taking into account aspects of corporate governance of the sample companies that have an impact on the market value of companies. This is done by including variables related to the concentration of shareholders, the number of members of the board of directors or the frequency of their members' annual meetings. Alternatively, for taking into account aspects of corporate governance, an index of the quality of corporate governance of the companies in the sample can be conceived. This index allows us to examine the most important aspects of corporate governance.

We also propose expanding the sample taken into account even if it involves the use of unbalanced panel data, many of the companies in the sample not having variable values for all years of the time period.

Another future research direction may extend the study by including variables related to the characteristics of the industry, similar to the study by Muradoglu & Sivaprasad (2012). These variables refer to the average indebtedness of the industry, the median growth opportunities, or dummy type variables that analyze the level of regulation or concentration.

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