Available online at www.sciencedirect.com

ScienceDirect

Procedia Economics and Finance 20 (2015) 586 – 594

Procedia Economics and Finance

www.elsevier.com/locate/procedia

7th International Conference on Globalization and Higher Education in Economics and Business Administration, GEBA 2013

Which is the pulse of Romanian corporate governance? – An empirical study

Victoria Stanciu[a], Maria Alina Caratas[b]*

[a, b]*The Bucharest University of Economic Studies, Bucharest 010374, Romania*

Abstract

This paper aims to emphasize the state of corporate governance in Romanian regulatory framework and the quality of corporate governance culture in Romanian organizations. The authors performed an analysis of the manner in which the OECD principles and other governance settlements are respected in some of the top Romanian banks. The research emphasized some gaps in the Romanian regulation and the need to improve corporate governance implementations. The authors' contribution consists in highlighting those regulatory requirements that should be improved in order to increase the effectiveness of corporate governance in Romanian financial institutions.

Peer-review under responsibility of the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi.

Keywords: Corporate governance, Bucharest Stock Exchange code, governance models, banks, listed companies.

1. Introduction

Over the past years, corporate governance represented a significant concern for academic debates and corporate boards. There is unanimous awareness on corporate governance need and benefits and, as the economic and financial crisis hardened the restrictions and competition and emphasized the consequences of the weaknesses in the companies' corporate governance, there is a legitimate interest for the topic. For the emerging countries, corporate governance is a "must" not an optional alternative for their development and integration in the globalised economy.

* Corresponding author. Tel.: +40-722-298-184; fax: +40-241-632-893.
E-mail address: maria.caratas@me.com

Peer-review under responsibility of the Faculty of Economics and Business Administration, Alexandru Ioan Cuza University of Iasi.
doi:10.1016/S2212-5671(15)00112-4

Corporate governance is crucial for the companies' growth, ensures the decrease of the economic disparity (in regard with developed economies), attracts direct financial investments and consolidates a market-based economy.

For emerging countries, as Romania is, it seems like to be a long and challenging way from declarative statements to real and solid corporate governance implementation. This is why, the authors focus on this topic. The paper aims to analyze existing corporate governance real enforcement in Romanian listed companies. For the empirical study it were selected top banks, some of them listed on the Bucharest Stock Exchange. The option to select in the sample just banks, even if this reduced significantly the study's subjects, was determined by the multiple regulatory requirements enforced for the banking sector regarding corporate governance. The set of regulatory requirements on corporate governance in banks is composed by the Romanian company law, Basel Committee requirements completed by European Banking Authority documents on the topic, UE documents and the regulations issued by the Romanian National Bank (as the supervisory banking body) implementing the provisions of the above mentioned authorities. Another argument for the banking institutions' selection is represented by the main ownership of the Romanian listed banks, ownership that "imported" in the Romanian banks high standards of compliance with corporate governance requirements. In this respect, the listed Romanian banks could be considered leaders of corporate governance best practice implementation.

2. Literature review

There is no universally accepted definition of corporate governance. In this respect, Talamo (2011) emphasized that almost all definitions aim at analyzing specific aspects of corporate governance. From the numerous definitions, the authors retain, for its synthetic but revelatory character, the definition included in the 2000 Cadbury Report and Recommendations: "Corporate governance is the system by which businesses are directed and controlled". This definition emphasizes the two major parts involved: the management and the controlling part as well as the relationship between ownership and management. From this perspective, Talamo (2011) retains Tricker's point of view who underlined "that management is about running a company and corporate governance is about ensuring that the company is run properly". In opposite of the synthetic definition contained in the Cadbury Report, there are more detailed definitions trying to emphasize the complexity of the corporate governance process. In this regard, Standard and Poor's (2012) retains the European Banking Authority definition: "corporate governance is a broad concept that can be described as a set of relationships between an institution, its management, its shareholders and other stakeholders". The definition is extended providing explicit details on the components of the internal governance considered as "a limited but crucial component of corporate governance".

Hardi and Buti (2012) emphasize that there is no one recommended model of corporate governance that works in all countries and companies. This is the reason why OECD issued its set of principles for corporate governance, underlines the weaknesses identified in time and suggests recommendations for corporate governance implementations. Peters et al (2011) consider that for achieving the goal to provide a national code of corporate governance, there are two ways: importation or self-definition of corporate governance principles. In this regard, Young and Peng (2008) pointed out that the attempts to import governance systems may be ineffective. Importing governance systems without taking into consideration local vectors, as for example the legal and fiscal system, cultural issues, accounting practices, limited number of professional managers could be ineffective. The option could be a tailored version of a standard corporate governance model taking into consideration the local backgrounds. Young and Peng (2008) emphasize that "the corporate governance structures in emerging economies often resemble those of developed economies in form but not is substance". The remark is trenchant but realistic and reflects the significant challenges the emerging countries are exposed to. Peters et al. (2011) explain that this situation is caused by fast adoption of foreign regulation on the pressure of the international bodies (as for example the EU institutions), the instable and incomplete legal environment, cultural issues, limited number of professional managers, the heritage of the past in the people mentality and the survival of past practices under new governance structures etc. The real challenge for the state institutions in emerging countries is to create a functional background (inclusively an integration of the company low with corporate governance framework) that enable an accurate and undertaken implementation of the corporate governance code in most companies.