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HABILITATION THESIS ABSTRACT

**The evolutional nature of the processes for the obtainment and dissemination of financial information, using the accountancy, the audit and the systems of risk management.
The specificity of the banking environment**

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ABSTRACT

The academic field I develop my activity beginning with the year of 1999 plays an important motivational role in the acknowledgement of the need for career development and improvement of the professional quality. Although intrinsic, each individual presents an inherent predisposition for development and active growth, which do not develop without the interaction with the professional environment. The academic environment contributed to my own development and to the manifestation of the valences for professional self-determination, together with the formation of an intrinsic and extrinsic multi-motivational complex for developing my career and request the habilitation certificate for the *fundamental domain* of Social sciences, *PhD domain* of Accountancy. After the public defence, in 2003, of my thesis on the theme of "Banking Informational System", coordinated by PhD Professor Teodor Roșca, at the Faculty of Economic Sciences and Business Administration, "Babeș-Bolyai" University of Cluj Napoca, my activity in the field of scientific research especially aimed the ***processes for the obtainment and dissemination of financial information, using the accountancy, the audit and the systems of risk management, especially in the banking environment***, which benefitted of special attention. The studies and the competencies achieved during the PhD program created the premises of a future postdoctoral research. The development of several research directions reflecting the importance of information and of the risk management systems in the banking environment was possible through the participation to research groups, as grant manager for the grant CNCSIS 2006 "The administration of the banking operational risk through the quantitative and the qualitative approach of the banking prudential needs, from the perspective of Basel II agreement" (Gestiunea riscului operațional bancar prin abordarea cantitativă și calitativă a cerințelor prudențiale bancare, în perspectiva aplicării acordului Basel II". The later research areas, in the domain of banking risk management, banking accountancy and banking audit, came as reactions to the acute need of the contemporary banking environment for the obtainment and present to the users financial and non-financial information that are relevant, credible, comparable, verifiable, intelligible and opportune.

The need of stability in the financial system is pregnant and the role of the systems for the presentation of public information of the banking companies was discussed and analysed preponderantly during the last years. The role of the banks and other types of credit institutions during the financial crisis invalidated certain elements from the conventional frame of the economical paradigm. The context of this work is one of an urgent need for establishing clear presentation criteria of public information by the contemporary credit institutions, with the aim of ensuring the premises for a growing trust in their activity and contributing to the stability of the financial system. The corporative social responsibility of the banks and of other credit institutions becomes pregnant in the contemporary economy, characterised by an evolution without precedent of the communication, which is contributing to the development of users more informed, more attentive, more sophisticated and, in the same time, more demanding. They benefit by the facilities of the modern technologies in communication and information (included internet based facilities, through the electronic pages of the banks), making easier the communication of financial and non-financial information coming from the credit institutions. The present study sustains the reconfiguration of the aspects related to the public dissemination of information coming from the credit institutions, which represent a key-segment in the reconfiguration of the global economic mechanisms during economic crisis and post-crisis periods. Economy evaluates toward a new paradigm that requires the reconfiguration of disclosure type systems, essential for the information of a large category of users and for ensuring the transparency in economy.

The present habilitation thesis synthesizes in the first section the scientific, academic and professional achievements following three research directions, analysed from the perspective of their contribution to the development of an economic environment which is more resilient and stable, offering the possibility of obtaining and offering qualitative

financial – accountancy information in a responsible manner. It insists upon the credit institution but integrates in the same time the bench-marks of the research performed in the contemporary economic environment, as the analysis of the costs, financing and sustainability of the investment projects, as well as the use of accounting information as base in the empirical quantitative research upon the banking institutions from Romania.

The research directions of the habilitation thesis are:

(D1) **The contributing potential of the accountancy and of the banking audit to the synoptic analysis of the obtaining – report – communication – disclosure processes for the financial and non-financial information, to the diffusion of the informational asymmetries and to the increase of transparency;**

(D2) **The effects of the banking risks upon the perception of the users for the banking information;**

(D3) **Utility valences of the financial – accountancy information in the study of the contemporary economic environment. Advocacy for the elimination of the cognitive dissonance between the financial information and accounting information.**

The central element of the research direction D1 is the informational circuit of obtaining, reporting, communicating and disclosing of financial and non-financial information by the banks.

The subject brought during my post-doctoral research new themes of reflection, catalysed unfortunately by a context of international financial crisis after the year 2007.

My research preoccupation for banking accountancy and banking audit led to the publishing of dedicated volumes, along with dedicated studies in journals, presenting the facets in the social responsibility of the banks for disclosing information (SRD Social Responsibility Disclosure). Thus, my studies were stimulated by the manifestation of vulnerability and adversity situations in the contemporary banking environment, which is continually searching for credibility and stability. I consider that an essential aspect in the new signification of the bank is their public responsibility, through the growth of the transparency degree in the informational communication and disclosure, during “disclosure type” processes. ***The banking accountancy and the banking audit are present in the equation of obtaining and disseminating information and have a contributing potential in creating and disseminating the public information of the banks.***

The debut of the section under the primacy of the financial stability was absolutely necessary for convincing that the activity of the contemporary banking societies is servient to new politics for the regulation and the supervision of the financial system, from the perspective of the financial stability, as major important desiderate. The research attention also aimed the requirements of Basel Committee and the European regulation in the field of standard disclosure of banking information, through the disclosure type processes. The need of analysing the banking environment under the aspect if public responsibility, including the corporate social responsibility, imposed the inventory of the new European frame for the financial and non-financial report specific to the institutions of public interest, by invoking specific European directives and the general requirements for the publishing of the yearly accounts of the companies and other information. There were analysed the requirements for the report of significant information the credit institutions have to make public, for the environment and frequency of publication. The aspects related to the reasonable access of the users to the financial and non-financial information of the credit institutions were approached under the sign of informational asymmetry, generated by the expectancies of the users for the information emitted by the banking societies in dissonance with the public information published by the same societies. There were presented two facets – regulation versus lack of regulation – in the field of presenting public information belonging to the credit institutions.

During the last years, I added to the banking accountancy and audit, the favourite subject of my research and teaching, studies in the field of public banking information,

related to the use of financial information by the banking investors for their investing decisions. I developed an algorithm for the identification of a matrix for the representation of the fuzzy binary relation that describes a certain preference of the individuals in situations when they have to choose an object belonging to a multitude of alternatives. In order to calculate the components of the matrix, the algorithm uses the determination of the optimal potential given by the rule of artificial learning the potential functions. The study analyses the behaviour of the investors in selecting the portfolio of actions bought and models the human preferences for one or another bank, from those listed by Bucharest Stock Exchange. The active banking societies listed by Bucharest Stock Exchange were analysed through the modelling of the preferences belonging to the potential investors, based on three financial indicators presented public. The created algorithm proves the fact that non-financial determinants participate to the investment decision.

The importance of International Financial Reporting Standards IFRS in the Romanian banking system is highlighted for the accountancy of the credit institutions, as main producer of information destined to the financial reporting. In the same time, significant accounting reasoning differences are presented for the two accounting referential - International Financial Reporting Standards IFRS and the Romanian accountancy regulations according to the European directives (Romanian Accounting Standards RAS), existing previously to IFRS. The thesis insists upon the accounting circuits of the credit institutions, generating accounting information, representative sources for the financial reporting. The yearly financial situations of the credit institutions were analysed as procedure, elaboration and deposition to the agencies belonging to the Ministry of Public Finance and the National Bank of Romania.

The lack of transparency to the level of banking institutions – considered one of the factors for the start of the financial crisis debuting in 2007 – brought again in attention of the regulators and financial markets the valences of the banking audit, with an important role in the increase of the trust degree from the users of the financial situations belonging to the credit institutions, an aspect analysed using significant new elements in the audit report of the entities of public interest, respectively the typology of the audit reports for the credit institutions (The audit report addressed to the Shareholders' General Assembly, the Supplementary audit report addressed to the Audit Committee of the credit institution, the Report for the banking supervision authorities and the Report of transparency of the statutory auditor of the credit institutions). Important modifications in the regulations of auditing European credit institutions are highlighted, through the gradual establishment and the more restrictive legislation of the audit processes, of the requirements for independence, rotation of the auditors, report and transparency at the level of the credit institutions.

The typology of the audit report in 27 European states, configured by the independent auditors for the credit institutions, was studied and showed important differences in the reporting manner, not only from the point of view of the statutory audit principles, also from the point of view of the involvement in the elaboration of reports related to the conformity of the credit institution with its organisational rules, with the regulation requirements, also if the banking auditors are consulted upon other special reports emitted by the credit institutions for the banking supervisory authorities. The analysis showed significant differences in the manner the banking statutory auditors report in several European states.

The corporate social responsibility of the banks was empirically analysed based on the degree of transparency in the activity of the Romanian active banking societies, through the study of the public disclosures on the electronic pages of the yearly reports, containing the reports of the independent auditors. The first approached aspect is represented by the online publishing behaviour, on the websites of the banks, which are Romanian legal entities and extended later to the subsidiaries of the foreign banks in Romania. The new importance in the role of the audit for the entities of public interest and the European regulation emitted after 2014 imposed a critical research upon the key-aspects in the contemporary banking audit, especially those affecting its quality (normative, procedural and organisational aspects in the banking audit, the "auditable" character of some banking elements, etc.).

The conclusions show a low degree of banking transparency, because the majority of active banking societies from Romania did not publish yearly financial and accountancy information and neither reports of statutory audit. The volunteering publication of financial and accountancy information by the banking system is in an incipient phase and proves the evolutionary character of the concepts related to Corporate Social Responsibility CRS, considered to be organic processes, in continuous evolution.

The second research direction D2 advocates the ***need of reflecting upon the risks manifested in the banking environment and their impact upon the perception of the users of banking information.*** My own contributions in the field permitted the configuration of the main themes of the administration of banking risks, through ***the use of accountancy information considered to be sources of models for the administration of the banking risks.*** Starting in the 80's, at an international level, we observe preoccupation for the field of establishing a general frame of administering the banking risks. The central role in this process is played by Basel Committee on Banking Supervision, with a primordial importance in establishing the referential of international banking supervision. The national authorities of banking supervision are also essential actors in the administration of the banking risks. I studied their involvement in the configuration of the supervision and reporting mechanisms of the banks.

The problematic of the banking risks is interesting not just for the banking environment, directly concerned of the efficiency and the stability of the banking system, but also for the academic environment, which offers multiple well defined theories of the banking risks. The analysis of the enounced aspects was synthesized in the present section, based on my own research, published in volumes or as articles/ studies of dedicated literature, and leads to the belief that the banking risks transformed from a reality of the banking environment into a subject for the contemporary economic sciences, due to the reciprocal influence between the academic and the banking environment. The inherent character of the manifestation of risks in the banking environment gives it a powerful specificity and claims decoding approaches, more urgently than in other fields of activity, due to its destructive potential for the economy and the population. Thus, the perspective of the user of banking information is targeted in the research of the complex character of the banking risks, considered to be risks conglomerates. Leaving aside any inductive theorization, the inventory of the main categories of banking risks, the analysis of their genesis and their administration methods, ***the research direction focuses on the adaptation to risks of the bank capital and upon the analysis of the interdependence between profit and risk. Several case studies were developed through the empiric analysis of the main banking risks (GAP, the gap between the banking active and passive, the system of indicators for the risk of a credit, the liquidity risk, the risk of interest rate, the operational risk, etc.), using documents from the banking accountancy (analytical account cards, verifying balance sheets etc.), generating information necessary for the risk analysis.***

The dynamic in the manifestation of the banking risks represents a characteristic of the contemporaneity, imposing new methods in the administration of the banking risks, suffering significant changes due to the financial crises. The perspective of the user of banking information, confronted with a lack of information related to the risks or with technical language in the presentation of the information, should not be neglected. Thus, special attention was given to it, presenting the present needs and the practices for transparency and publication by the banks of their objectives and policies upon the administration of the risks, individual for each risk category.

The research direction D3 contains the personal scientific contributions related to the ***approach of the financial information and accountancy information in several studies and research upon the contemporary economic environment.*** The first part of the section presented the analysis upon the manner to value the financial – accountancy information in the study of the economic environment. New ***aspects in the history of accountancy*** were identified through the study of the accountancy registers in

Transylvania during the Habsburg Empire, during the 14th century. For the contemporary period, due to the increase in the concern related to the low degree of financial education of numerous categories of citizens, affected by the lack of information in the economic/financial field and their incapacity of understanding and discerning correctly upon private financial aspects, were studied the *bench-marks of economic and financial education* in Romania. The plea for the awareness of the importance of financial alphabetization, of the financial education, is based on its importance in the daily life of the people belonging to all age categories. The economic science has the role of being involved in the delimitation of the economic concepts necessary to the individuals without economic education and their presentation under comprehensible forms. After the awareness of the urgent need for economic and financial education, connected aspects were approached, as the study on the *influence of the entrepreneurial phenomenon upon the economic growth* in Romania, between 2009 and 2013. The proposed method for the research is the analysis of a unifactorial econometric model. There was approached the intensity of the relation between the entrepreneurial phenomenon, expressed in the number companies registered to the Register of Commerce and GDI, also the intensity of the relation between the number of employees in the economy and Gross Domestic Income GDI. The characteristics of the contemporary economic environment were researched under the aspect of *nominal and real convergence of the Romanian economy* with the EU states that are not yet part of the Economic and Monetary Union and do not apply the Exchange Rate Mechanism II – ERM II, Czech Republic, Hungary, Poland and Bulgaria, for the period of 2007-2011 in the case of nominal convergence and 2004-2010 in the case of real convergence. In the field of nominal convergence, only three non-EMU countries (Economic and Monetary Union – Eurozone) fulfil all the criteria – Poland in 2007 and Bulgaria in 2011. The other states are over the superior limits of inflation established by the Maastricht Treaty and the motives for this situation depend in the last years of the substantial deterioration of the macroeconomic conditions and the deceleration of the economic growth. Regional disparities and deviation between the analysed states were proved, without any indications of a real convergence.

The analysis of the investing projects with European non-refundable financing occupies an important part in this research direction. I developed ***an analysis of determining the costs, the pricing and the supportability of the prices*** for the services of delivering water and the sewerage services destined to the end-users, in two projects financed through the Sectoral Operational Programme for Environment 2007-2013 –POS Environment “The development and the modernisation of fresh and used water systems”. The analysis was based on the following informational sources: on one hand, the *yearly financial situations, the accountancy of the analysed economical agents*, and, on the other hand, the statistical reports related to the incomes and the expenses of the population.

Another research briefly presented refers ***to the analysis of the financial return of a project in the field of non-renewable energy***, through the rates of financial return – FRR/C The net financial rate of investment and FNPV/C The discounted net financial value of the investment, in the possible combinations for the following financing scenarios: non-refundable financial assistance from UE and financing through bank credit, with or without green certificates.

The final part of the section is reserved to the banking environment, ***analysing the banking deposits using Vector Autoregressive Model VAR***, for the period 2007 – 2012, in order to determine the causal relations between the deposits of private households– in lei at term and economic variables - and the medium rate of the interest in the credit institutions for this type of deposits, the rate of unemployment, the monthly profit of the population and the inflation rate – also the index of the consume prices. ***The performance of the banks*** is analysed in its ability of generating sustainable profit, using an examination of the manner the ROA Return on Assets actives and the ROE Return on Equity capital are affected by the Credit Risk Rating CRR in the Romanian banking system, during 2008 – 2013. There were developed two models of regression in order to study the interdependence between the

mentioned variables. The results indicate the ROA and ROE variations (each of them) in relation with the Credit Risk Rating CRR. The results after the **analysis of the non-performing loans** are briefly presented using a default type model for measuring the non-performing loans and the correlation between the interest rate and the non-performing loans in the Romanian banking system.

Creating a **personal research strategy was always a permanent desiderate in my activity** and the first step was to establish research objectives in accordance with the organisational research culture and the dynamics of the research field. An important challenge was the efficient use of the research infrastructure and the good knowledge of the research methodology in order to fulfil the desired research objectives. Establishing relevant research priorities imposed a research organisation in accordance with the research mission assumed by the university where I develop my activity, which considers that the scientific research is an important aspect in the academic career. The results of my research were presented to scientific conferences and published as books, articles and studies, in dedicated publications, selected after analysing the output impact. These results also had educational consequences by attracted students, especially MB students, in the research activity.

My research activity, developed mainly after the year 2000, is synoptically juxtaposed on the process of national research and research modalities change and the increase in the importance of the research in universities. **The present paradigm of the research tends to migrate toward a reconsideration of the relevance and of the impact of the research, also toward the creation of a scientific research culture**, where the scientific publications should be only forms of expression for the research discoveries and the relevance of the research should be reflected afterwards in society, education, culture, technology, etc. my individual research and transdisciplinary research led to studies that were published as co-author in 2 international volumes, 4 national volumes as author, 10 national volumes as co-author, 6 studies in ISI publications with impact factor bigger than 0 (1 article publishes in ISI publication with 0.936 impact factor and AIS Article Influence Score of 0.560; 4 article in ISI publication with 0.734 impact factor and AIS Article Influence Score of 0.023), 1 articles published in magazines indexed in at least two accredited international databases, 2 articles published in conference volumes indexed as ISI Proceeding, 47 articles/ studies published in international conference volumes in Romania and abroad (ISSN or ISBN), 38 articles published in national specific publications without index or accreditation in data basis.

The second section of the habilitation thesis schematizes the evolution and the development plans for a future professional, scientific and academic career, detailed in relation with the main directions of research/ teaching/ practical activities aimed by future research and teaching and practical activities. The key-element in the evolution and development plan of the career is represented by the interpenetration between motivation and the personal objectives in teaching and research, in harmony with the organizational objectives and the aimed performance. The main theme to be prioritized in the close future refers to the approach based on risk of the accountancy organized and led after the International Financial Reporting Standards IFRS; alto to the stability and the resilience of the banking system.

The final section is dedicated to the bibliography used for the development of the habilitation thesis, including my own scientific contributions and the bibliographic references for the first two parts of the work.

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Signature, Socol Adela

