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## The Muted Impact of Investor Relations: Evidence on Performance and Capital Structure from an Emerging Market

**Abstract.** *This study empirically investigates the relationship between IR transparency—measured via the VEKTOR index—and two key dimensions of firms listed on the Bucharest Stock Exchange (BSE): financial performance, measured by Return on Assets (ROA), and capital structure, proxied by the Debt-to-Equity (D/E) ratio. Using a panel dataset for 63 companies over the 2019-2024 period, the study employs an econometric methodology which includes Fixed and Random Effects models. The econometric models reveal a lack of statistical evidence for a direct impact of the VEKTOR score on either ROA or D/E. The findings suggest that while IR transparency is an indispensable component of good governance, its direct, short-term impact on profitability and leverage may be secondary to more powerful, fundamental firm characteristics in an emerging market context. The study's contribution is twofold: first, it provides a robust null result, challenging the assumption of an immediate financial payoff from IR activities, and second, it identifies firm size, liquidity and listing age as primary, significant drivers of corporate financing decisions on the BSE listed companies. Furthermore, it's plausible that, in the context of an emerging market, investor relations practices may sometimes represent superficial conformity with regulations rather than deep informational transparency, which could explain the lack of a measurable financial impact.*

**Keywords:** *corporate governance, investor relations, VEKTOR index, financial performance, Fixed and Random Effects models.*

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### 1. Introduction

Companies that adopt robust governance practices attract significant investor interest, demonstrating their adaptability to market demands and their ability to provide clear information about their operations. Effective and transparent communication with investors is a key element of modern corporate governance. In an increasingly competitive economic landscape, firms are increasingly focused on providing clear, consistent, and relevant information to shareholders, analysts, and other stakeholders.

Investor Relations (IR) represents an essential pillar of modern corporate governance, directly influencing market confidence and company valuation. In the

context of volatile markets and rising demands for transparency, the absence of a solid communication strategy can lead to negative perceptions, increased stock volatility, and a loss of institutional investor confidence.

An active and well-structured Investor Relations department plays a strategic role in managing corporate reputation and facilitating continuous dialogue with shareholders and the media. Furthermore, its involvement in organising conferences and events not only helps inform the market but also contributes to fostering an organisational culture based on responsibility and openness.

Timely disclosure of financial and non-financial information—including ESG-related data—is becoming an essential practice in an investment landscape where stakeholders increasingly value non-financial criteria. Thus, transparency is no longer merely a compliance obligation but a competitive advantage that can influence how the quality of corporate governance, ESG ratings, stock liquidity, and attractiveness to long-term investors are perceived.

Previous research has offered solid insights into the importance of ESG criteria, sustainability reporting, investor relations, and corporate governance in investment decision-making (Crifo et al., 2019; Paranita et al., 2025; Chapman et al., 2019). For instance, Bock et al. (2025) confirm the rationale that constructive communication efforts lead to higher ESG scores and conclude that firms are expected to particularly benefit from superior IR quality specifically tailored to the informational needs of ESG rating agencies. Other studies analyse the correlation between IR and firm profitability. However, there is a gap in the academic literature in Romania regarding this subject.

The primary objective of this study is to investigate whether and to what extent the level of transparency and efficiency in investor communication is reflected in the financial performance of Romanian companies listed on the Bucharest Stock Exchange. The research is based on a panel dataset comprising 63 companies analysed over a 6-year period.

The methodological approach for examining the link between IR transparency and firm performance is consistent with the established corporate governance literature, which typically relies on panel data estimations such as Fixed and Random Effects models. This framework is central to contemporary research in the field, with numerous recent studies adopting it to explore the drivers of financial performance, governance effectiveness and disclosure quality (e.g., Yavuz et al., 2025; Affes & Jarboui, 2023; Colak & Sarioglu, 2025). Aligning with this current wave of research, the present study grounds its empirical analysis in a robust and widely accepted tradition of quantitative corporate governance research.

Our research methodology incorporates the VEKTOR indicator, developed by ARIR (the Romanian Association for Investor Relations), which assesses the quality of companies' communication with investors for the period 2019–2024. ARIR, as the promoter of the Investor Relations (IR) concept in Romania, emphasizes that adherence to standards of transparency, corporate governance, and proactive investor communication brings added value, facilitates access to financing, and strengthens the reputation and trust required for sustainable business development.

In this context, the VEKTOR indicator enhances the accuracy to the analysis by providing a standardised and comparable measure of investor relations quality among listed companies. It directly addresses one of the main methodological challenges noted in the Romanian literature—the difficulty of obtaining uniform and comparable IR performance measures across companies—by offering a consolidated, externally validated framework that integrates multiple dimensions of investor relations and ensures both comparability and credibility of results. Applied in the context of the Bucharest Stock Exchange, this approach contributes empirical evidence to an emerging market setting where studies on IR transparency remain scarce. In fact, we identified only one article relying on the VEKTOR indicator to explore the link between financial performance and investor relations (Mihail et al., 2021), limited to the period 2019–2020. By extending the analysis to 2019–2024, the present study enables a more consistent examination and provides insights into the persistence of these relationships over time.

The first section of this paper theoretically addresses the fundamental concepts of corporate governance, its link to firms' financial profitability, investor relations, and communication transparency, through a review of existing studies in academic literature. In the second section, we present the research methodology used, working hypotheses, data collection process, and variables utilised in the study. The third section focuses on the analysis of the results obtained and data interpretation, through statistical analysis, econometric model testing, and the presentation of identified correlations. Finally, the fourth section presents the results and discussions, while the last section includes the research conclusions, implications, and limitations, as well as directions for future research.

## 2. Literature review

The field of corporate governance began to take shape globally with the need to regulate the relationships between company management and stakeholders, rapidly evolving through increasingly well-defined principles, norms, and codes of corporate governance.

The efficiency of corporate governance is recognised in the academic literature as a factor with substantial influence on improving company performance (Sekliuckiene & Urbonavicius, 2024) and stimulating economic growth (Škare & Hasić, 2016). At the same time, efficient governance reduces agency costs and conflicts that can arise between company owners and management (Jensen & Meckling, 1976; Shapiro, 2005). Corporate governance rules maintain the balance between the leaders of economic entities and third parties who invest their resources in the business (Feleagă, 2008).

Based on these considerations, due to efforts to enhance efficiency and accountability in business management, corporate governance has rapidly gained ground internationally. In contrast, its implementation in Romania has been marked by obstacles, largely generated by the slow pace of transition from a state-controlled economy to one based on free market principles.

From a conceptual and legislative perspective, corporate governance only emerged in Romania in the first decades of the 21st century, as a result of the difficulties of reforms in the political, legal, and economic spheres. This delay reflects the challenges related to adapting to European standards and gradually abandoning state influence over the business environment.

The implementation of corporate governance in Romania has also been arduous due to multiple structural inconsistencies (Feleagă, 2008), among which are: the absence of an in-depth analysis of the relationship between owners and management, limited involvement of stakeholders in the decision-making process, lack of a coherent conceptual framework regarding the efficient functioning of the market and its social impact, the ambiguous role of auditors in promoting corporate governance, the slow pace of aligning the accounting system with international standards, and the inefficiency of control mechanisms regarding the quality of financial information provided.

In Romania, the Bucharest Stock Exchange (BSE) has played an essential role in promoting corporate governance through its efforts to gradually align the capital market with international standards. In response to constant efforts to consolidate investor confidence and corporate resilience, the corporate governance landscape in Romania has undergone significant transformations in recent years, suggesting that these initiatives have generated concrete effects. Although Romania still faces major issues such as insecurity, corruption, and deficient legislation (Albu et al., 2022), the corporate governance landscape in Romania has seen notable improvements, with an emphasis on principles such as decision-making transparency and assuming responsibility towards all involved actors – from shareholders and investors to business partners and the community.

Specialised studies suggest that company development is closely linked to adherence to corporate governance norms (Affes & Jarboui, 2023; Shakri et al., 2022). Firms with robust governance manage resources more efficiently, which reduces waste and optimises capital utilisation. These companies also build trust-based relationships with stakeholders (including business partners and investors), which facilitates access to external financing – an essential factor for expansion and innovation.

In the current context, corporate governance and corporate social responsibility represent competitive advantages that largely influence the development and reputation of firms. Sun & Yang (2008) built a model applicable to companies operating in the Chinese real estate market, which reflects that corporate reputation is formed within the dynamic relationships between firms and stakeholders, and this represents the synthesised result of corporate governance and social responsibility. The link is, however, reciprocal, as some studies find that a high reputation can generate high expectations and strict scrutiny from stakeholders, which can lead highly reputable companies to publish higher quality reports and improve their performance in corporate governance and social responsibility (Ye et al., 2024; Ullah, 2017).

The majority of empirical research initially focused on countries with developed capital markets such as the USA (Gompers et al., 2003; Bebchuk et al., 2004; Brown & Caylor, 2004; Larcker et al., 2007) or the UK (Weir, 1997). Subsequently, numerous studies began to emerge examining the relationship between corporate governance and profitability in emerging countries such as Botswana (Molah et al., 2012), Saudi Arabia (Alanazi, 2019), Croatia (Vitezić, 2006), Pakistan (Shakri et al., 2022), Turkey (Yavuz et al., 2025), India (Kumar & Mishra, 2023), Brazil (De Carvalho & Sampaio, 2021), etc., offering new perspectives on this subject. These analyses reflect the diversity of economic contexts and highlight the need for further investigations.

Not all studies reach the same conclusions regarding the correlation between corporate governance and profitability, with some indicating a positive relationship, others a negative or neutral one, and still others questioning the direction of causality (Škare & Hasić, 2016). In this context, some authors suggest that corporate governance develops naturally, depending on the specific characteristics of each firm and its operating environment (Love, 2011), which complicates the identification of a direct and universally valid effect on performance.

Research on corporate governance and company profitability has not been limited to a national level, but has also been extended to regional or global levels. For example, a study by Malik & Makhdoom (2016) on Fortune Global 500 companies, which includes firms from dozens of countries – both developed economies (such as the USA, Japan, Germany) and emerging markets (such as China, India, Brazil) – found a strong positive relationship between corporate governance and their financial performance.

As with single-country studies, some multi-country or multi-region studies conclude a positive link between corporate governance and company profitability, while other research suggests a neutral correlation, the absence of a clear relationship, or even a negative correlation. This conclusion is more often found when the sample consists of emerging countries. For example, the study by Doidge et al. (2007) analyses the impact of corporate governance on financial performance across multiple countries, including emerging markets. While they observed a positive link between corporate governance and financial performance in developed economies, they found no significant correlation in emerging countries. This suggests that region-specific factors, such as political instability and insufficient regulations, can strongly influence economic outcomes. The study also develops a model showing how country characteristics, such as legal protection for minority investors and the level of economic development, explain more of the variation in governance ratings than firm characteristics. Additionally, access to global capital markets motivates companies toward better governance, especially in less developed countries.

Several similar studies have also been conducted in Romania, most often focusing on companies listed on the BSE regulated market due to data availability. From the analysis of recently published studies, we observe that they highlight the variable influence of corporate governance and board characteristics on financial

performance, with mixed results depending on the indicators used and the specific context of each study.

An exploration of the profitability of transactions on the Romanian capital market reveals a striking reality: high-ranking executives and their relatives manage to obtain abnormally high financial returns by using their access to confidential information (Albu et al., 2022). The analysis of this phenomenon, which is directly linked to the quality of governance at national and corporate levels, shows that the tendency to exploit privileged information is persistent, manifesting visibly even in periods of instability, such as the financial crisis. Moreover, the success of these transactions does not depend on the directors' profile (education, experience, previous positions) but on simple access to information, which takes precedence over individual competencies.

Other authors have evaluated the impact of adopting corporate governance principles on the financial performance of companies listed on the Bucharest Stock Exchange (BSE). A study covering the period 2010–2015 reported the absence of a significant impact of corporate governance practices on performance measured by ROE, EVA, and TSR, but, in contrast, identified a significant and positive relationship for Tobin's Q ratio (Pintea et al., 2021).

Research on the Romanian capital market from 2019 indicates a discrepancy between how accounting results are evaluated and investor perception. While the duality of the CEO function seems to favor internal financial indicators, such as net profit and earnings per share, the capital market penalises this practice through a negative correlation with stock price (Dănescu et al., 2021). Similarly, Mihail et al. (2022) conducted a study on a sample of companies listed on the BSE during 2016–2020, concluding that improving companies' corporate governance practices would lead to increased performance and value (board diversity has positive effects regarding independent members, and the audit committee has positive effects on performance).

The present study makes an additional contribution to the literature on corporate governance by exploring the relationship between the transparency and efficiency of stakeholder communication and companies' financial performance. While existing research has primarily focused on structural or traditional governance indicators (such as board independence, CEO duality, board size, audit committee composition etc.), this paper proposes an innovative approach, investigating the role of communication as an essential value-creation mechanism within the organisational framework.

Applied to the specific context of the Romanian capital market, this research offers relevant insights into how transparency and communication coherence could be decisive factors for financial performance, especially in emerging economies where stakeholder trust plays an essential role. In this regard, the paper contributes to filling existing gaps in the scientific literature by using recent and detailed data on companies listed on the Bucharest Stock Exchange. A value-added element of this study is the use of the VEKTOR indicator, which allows for a standardised assessment of investor communication performance. The scientific literature has

highlighted that one of the main challenges of studies on investor relations within corporate governance lies in the difficulty of obtaining comparable measures across companies (Mihail et al., 2021). Achim and Borlea (2014) attempted to overcome this limitation by developing their own IR scores. In contrast, the VEKTOR indicator offers a consolidated solution, covering a wide range of investor relations components and ensuring uniformity, comparability, and credibility in profile analysis.

### 3. Model specification

#### 3.1 Model Description and Hypothesis

The primary objective of this research is to investigate the relationship between the effectiveness and transparency of investor relations (IR), proxied by the VEKTOR score, and the financial standing of firms listed on the Bucharest Stock Exchange (BSE). We analyse two key dimensions of firm standing: financial performance, measured by Return on Assets (ROA), and capital structure, measured by the Debt-to-Equity (D/E) ratio.

Based on established literature rooted in signalling and agency theories, we formulate the following testable hypothesis regarding the impact of the VEKTOR score:

- Greater corporate transparency reduces information asymmetry, which can positively influence investor confidence and, consequently, enhance financial performance. This leads to our first hypothesis: *H1: A higher VEKTOR score is associated with a higher Return on Assets (ROA).*
- Enhanced transparency primarily benefits a firm's access to equity markets by reducing information asymmetry. This improved access to shareholder capital is expected to decrease a company's dependence on debt financing. Consequently, our second hypothesis tests for a negative association: *H2: A higher VEKTOR score is associated with a lower Debt-to-Equity (D/E) ratio.*

The initial sample comprised 81 companies listed on the main market of the Bucharest Stock Exchange (BSE). First, the firms from the financial sector (e.g., banks, investment funds) were excluded, as financial firms operate under a distinct regulatory framework that fundamentally alters their capital structure, performance metrics, and communication requirements.

Following this initial selection, a rigorous data cleaning process was undertaken. Observations were filtered to include only firm-years on or after a company's public listing date, ensuring the temporal validity of the sample. Furthermore, a detailed outlier analysis identified two firms exhibiting extreme economic behavior related to severe financial distress and respectively exceptional revenue volatility. To ensure the robustness of the econometric estimates, these firms were excluded from the final sample.

The resulting dataset is an unbalanced panel of 344 firm-year observations for 63 unique companies over the 2019-2024 period. This timeframe was selected as it

aligns with the implementation of the VEKTOR index, which began in 2019. At the time of this research, financial data for the full 2024 fiscal year had become available, allowing for the most current analysis possible.

The variables included in the models are defined as follows:

**Table 1. Variable and source of data**

Variables	Symbol / measure	Description	Data source
<b><i>Dependent variables</i></b>			
ROA - Return on Assets	roa percentage	Net Income divided by Total Assets, measuring operational efficiency and profitability.	Retrieved from LSEG Workspace
Debt-to-Equity Ratio)	D/E ratio	Total Debts divided by Total Equity, measuring financial leverage.	
<b><i>Independent key variable</i></b>			
VEKTOR score	vektor_score points (on a scale of 0 to 10)	An index from 0 to 10, developed by ARIR, that quantifies the quality and transparency of a company's communication with its investors.	www.bvb.ro https://ir-romania.ro/ro/arir/
<b><i>Control variables</i></b>			
Firm Size	log_total_assets natural logarithm of Romanian New Lei (RON)	The natural logarithm of total assets, a standard control for scale effects.	Author's own calculation based on data from LSEG Workspace
Liquidity	current_ratio ratio	Current assets divided by current liabilities, controlling for short-term financial health.	Retrieved from LSEG Workspace
Firm Age	age years	The number of years since the company's listing, controlling for market maturity and experience.	Author's own calculation based on data from LSEG Workspace
Growth Opportunities	turnover_growth percentage	The annual percentage change in turnover.	Author's own calculation based on data from LSEG Workspace
Business Model	asset_intensity ratio	Total assets divided by turnover, controlling for capital intensity.	Author's own calculation based on data from LSEG Workspace
Profitability	roa percentage	Included as a control only in the D/E model to account for the availability of internal funds for financing	Retrieved from LSEG Workspace

*Source:* Author's processing.

The chosen set of dependent variables—Return on Assets (ROA) and the Debt-to-Equity (D/E) ratio—was selected to provide a balanced and comprehensive assessment of a company's financial standing. These two indicators are complementary: ROA reflects the overall efficiency in utilising corporate resources to generate profit, while the D/E ratio reveals the financing structure and the



associated level of financial risk. ROA offers a perspective on the company's ability to generate profits from its asset base, whereas the D/E ratio contextualises this performance based on the degree of external financing. Combining the two provides a holistic view of the sustainability of a firm's financial performance and its overall investment attractiveness.

On the other hand, the VEKTOR score was chosen as the key independent variable as it captures multiple relevant dimensions of corporate governance and investor relations (IR). These include transparency, communication frequency, information accessibility, and the quality of financial reporting. As an index developed based on objective and publicly available criteria, VEKTOR allows for a rigorous, consistent, and comparable assessment of corporate communication across firms.

### 3.2 The analysis

The descriptive statistics, presented in Table 2, offer a clear overview of the variables used in the analysis.

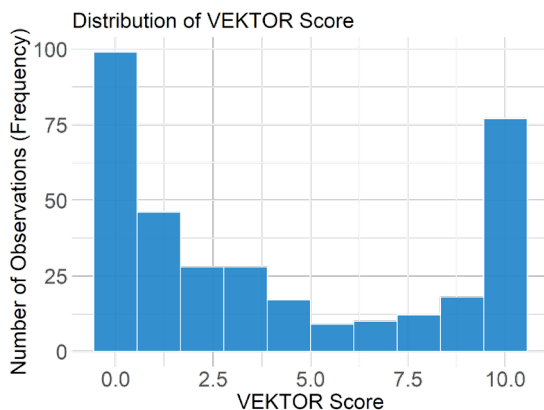
**Table 2. Descriptive Statistics**

Statistic	N	Mean	St. Dev.	Min	Max
ROA	344	0.05	0.17	-0.24	2.60
D/E	344	0.41	0.97	-5.21	6.93
vektor score	344	4.19	3.94	0.00	10.00
log total assets	344	19.78	1.86	15.57	24.79
current ratio	344	2.80	3.17	0.05	22.11
turnover growth	344	0.07	0.33	-0.85	1.36
asset intensity	344	3.84	7.37	0.39	74.59
age	344	19.46	7.91	0	33

*Source:* Author's computations using R statistical software.

A closer look at the data reveals significant heterogeneity within the sample. The primary variable of interest, the VEKTOR score, ranges from a minimum of 0 to a maximum of 10, with a sample mean of 4.19. The standard deviation of 3.94 is notably high relative to the mean, indicating a vast dispersion in investor communication practices among Romanian listed firms. This heterogeneity is further illustrated in Figure 1, which presents the distribution of the VEKTOR score.

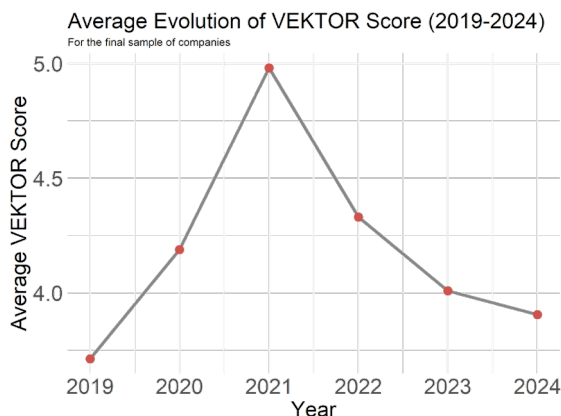
Financial performance also varies considerably within the sample. The average Return on Assets (ROA) stands at 0.05 (or 5%), but its range is quite wide, extending from a minimum of -0.24 (-24%) to a maximum of 2.60 (260%), which clearly points to firms with highly diverse profitability profiles. Similarly, the mean Debt-to-Equity (D/E) ratio is 0.41, but the standard deviation of 0.97, more than double the mean, underscores the highly divergent capital structure policies across the sample. The sample also includes both newly listed firms and mature entities, with firm age since listing ("age" in the table) ranging from 0 to 33 years.



**Figure 1. Distribution of the VEKTOR score**

*Source:* Author's computations using R statistical software.

To understand the context of the analysed period, Figure 2 visualises the evolution of the average VEKTOR score over time. The plot indicates a slight upward trend from 2019 to 2024, suggesting a gradual, albeit modest, improvement in investor relations practices among the sampled firms.



**Figure 2. Evolution of the Average VEKTOR Score**

*Source:* Author's computations using R statistical software.

### 3.3 Econometric Model and Specification

We employed a panel data regression methodology for the period 2019-2024. Given the need to control for unobserved, time-invariant firm heterogeneity (such as management quality or corporate culture), a Two-Way Fixed Effects (TWFE) specification was selected as the primary analytical framework.

Consequently, two distinct models were specified:

- **Model for Financial Performance (ROA):**

$$ROA_{it} = \beta_0 + \beta_1 VEKTOR\_score_{it} + \beta_2 \log\_total\_assets_{it} + \beta_3 current\_ratio_{it} + \beta_4 turnover\_growth_{it} + \beta_5 asset\_intensity_{it} + \beta_6 age_{it} + \delta_t + \alpha_i + \epsilon_{it}$$

- **Model for Capital Structure (D/E):**

$$D/E_{it} = \gamma_0 + \gamma_1 VEKTOR\_score_{it} + \gamma_2 \log\_total\_assets_{it} + \gamma_3 current\_ratio_{it} + \gamma_4 turnover\_growth_{it} + \gamma_5 asset\_intensity_{it} + \gamma_6 age_{it} + \gamma_7 ROA_{it} + \delta_t + \alpha_i + v_{it}$$

**Where:**

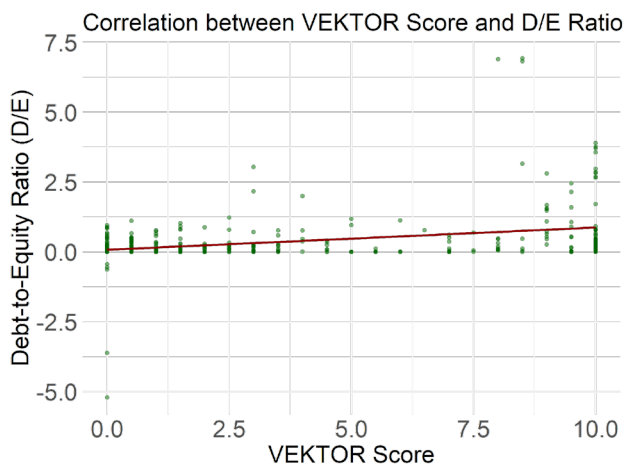
- $i$  indexes the firm and  $t$  indexes the year.
- $ROA_{it}$  and  $D/E_{it}$  are the dependent variables.
- $VEKTOR\_score_{it}$  is the key independent variable.
- $\log\_total\_assets_{it}$ ,  $current\_ratio_{it}$ , etc., are the control variables.
- $\beta_k$  and  $\gamma_k$  are the coefficients to be estimated.
- $\alpha_i$  represents the firm-specific fixed effects.
- $\delta_t$  represents the time-specific fixed effects (year dummies).
- $\epsilon_{it}$  and  $v_{it}$  are the idiosyncratic error terms.

The critical choice between a Fixed Effects (FE) and a Random Effects (RE) specification was guided by the Hausman test for each dependent variable. For the ROA model, the test was insignificant ( $\chi^2(10) = 5.55$ ,  $p = 0.85$ ), indicating that the Random Effects model is the more efficient and preferred specification. For the D/E model, the test strongly rejected the null hypothesis ( $\chi^2(11) = 66.69$ ,  $p < 0.001$ ), mandating the use of the Fixed Effects estimator.

Model validity was further confirmed by diagnostic tests. The Variance Inflation Factor (VIF) was calculated for all specifications, with all values falling well below the conservative threshold of 5, thus ruling out multicollinearity as a potential issue.

#### 4. Results and discussion

Before proceeding to the multivariate models, a visual inspection of the pooled relationship between the VEKTOR score and the dependent variables is instructive. Figure 3 displays the scatter plot for the D/E ratio. The plot does not reveal a clear linear pattern, providing an initial suggestion that the relationship, if any, may be weak, a notion formally tested below.



**Figure 3. Scatter Plot of VEKTOR Score vs. D/E Ratio**

*Source:* Author's computations using R statistical software.

The final regression results, presenting the optimal model for each dependent variable, are summarised in Table 3.

**Table 3. Regression Results on Financial Performance and Capital Structure**

	Dependent variable:	
	ROA	Debt-to-Equity Ratio (D/E)
	Random Effects	Fixed Effects
	(1)	(2)
VEKTOR Score	-0.003 (0.004)	-0.018 (0.029)
Log(Total Assets)	0.011 (0.008)	<b>-0.557***</b> (0.137)
Current Ratio	0.002 (0.003)	<b>0.034**</b> (0.015)
Turnover Growth	0.044 (0.030)	-0.055 (0.110)
Asset Intensity	0.0003 (0.002)	-0.001 (0.009)
Age	-0.001 (0.002)	<b>0.039*</b> (0.020)
ROA		0.143 (0.204)
Constant	-0.154 (0.165)	
Observations	344	344
Adjusted R <sup>2</sup>	0.0437	0.0982
F Statistic	14.034	2.674*** (df = 11; 270)
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01	
	Standard errors in parentheses. Models selected based on Hausman test results.	

*Source:* Author's computations using R statistical software.

**Model 1 (ROA):** Overall, the Random Effects model developed to test the impact on ROA was found to be statistically insignificant ( $p = 0.231$ ). Focusing on our primary hypothesis, the coefficient for VEKTOR Score was found to be statistically insignificant ( $\beta = -0.003$ ,  $p = 0.514$ ). It is also noteworthy that none of the firm-level controls in the model (e.g., firm size, liquidity, age) demonstrated a significant association with profitability. Therefore, we conclude that this empirical analysis does not provide evidence to support a direct relationship between the quality of investor relations and firm profitability (ROA).

**Model 2 (D/E):** The Fixed Effects model for the D/E ratio is, in contrast, statistically significant overall (F-test p-value = 0.0028). While VEKTOR Score remains insignificant ( $\beta = -0.018$ ,  $p = 0.544$ ), the model identifies several robust determinants of capital structure:

**First, Firm Size** (Log of Total Assets) emerges as the most powerful predictor, with a large, negative, and highly significant coefficient ( $\beta = -0.557$ ,  $p < 0.001$ ). This finding is strongly consistent with the **Pecking Order Theory**, which posits that firms prioritise internal financing (retained earnings) over external debt. To quantify its economic significance in straightforward terms, the model estimates that a **10% increase in a firm's total assets** is associated with a **0.056-point decrease in its Debt-to-Equity ratio**. This demonstrates a robust deleveraging effect as firms expand, underscoring size as the primary driver of capital structure policy, likely due to larger firms' enhanced access to internal funds and equity markets.

**Furthermore, Liquidity** (Current Ratio) exhibits a positive and significant relationship with leverage ( $\beta = 0.034$ ,  $p < 0.05$ ). This suggests that a strong liquidity position functions as a crucial signal of creditworthiness to lenders, thereby enhancing a firm's debt capacity. Quantitatively, a **one-point increase in the Current Ratio**—for instance, from 1.5 to 2.5—is associated with a **0.034-point increase in the D/E ratio**. While statistically significant, this indicates that the immediate economic impact of liquidity is **relatively modest**, playing more of a fine-tuning role in leverage decisions rather than a transformative one.

**Finally, Listing Age (Age)** shows a marginally significant positive effect ( $\beta = 0.039$ ,  $p < 0.1$ ), which can be attributed to the gradual development of corporate reputation and banking relationships. The practical significance of this coefficient is best understood through its cumulative effect. The model predicts that **over a ten-year period, a firm's D/E ratio would increase by a substantial 0.39 points** ( $0.039 \times 10$ ). This highlights that the slow-building assets of trust and reputation have a powerful and economically meaningful long-term impact on a firm's ability to take on debt.

## 5. Conclusions

This study set out to investigate the tangible financial impact of investor relations transparency on the financial performance and capital structure of BSE listed companies. Across multiple specifications, including Fixed and Random

Effects models chosen based on rigorous diagnostic testing, the VEKTOR score did not emerge as a statistically significant predictor for either ROA or D/E.

This null finding is a significant conclusion in itself. It suggests that, **in the context of an emerging market like Romania, the benefits of enhanced corporate communication, while crucial for governance and long-term trust, may not immediately translate into measurable short-term profitability or changes in leverage.** A potential additional reason for the lack of a significant statistical relationship between the VEKTOR score and financial performance (ROA, D/E) could be the **phenomenon of organisational mimicry or superficial conformity frequently encountered in emerging markets.** In such contexts, **companies may formally adopt reporting practices required by regulations** (as reflected in the VEKTOR score) to legitimise their existence, without these actions necessarily translating into substantial and useful transparency capable of influencing financial or investment decisions. The financial decisions of firms appear to be more powerfully driven by fundamental characteristics. Our analysis confirmed this by identifying three robust drivers of capital structure: firm size (with a strong negative effect on leverage), liquidity (with a positive effect), and firm age (with a marginal positive effect).

While these findings don't diminish the importance of IR, they offer a more refined understanding of its role. Instead of viewing it as a direct lever for short-term financial ratios, managers should see it as a long-term investment in building credibility, which may impact other crucial areas such as the cost of capital and stock price stability—promising avenues for future research. For investors and regulators, this study highlights that **while a high VEKTOR score is a commendable indicator of good governance, it should not be seen as a direct proxy for imminent financial performance.** Ultimately, this research contributes to the literature on corporate governance in developing economies by providing a nuanced and statistically rigorous perspective on the **complex relationship between transparency and financial reality.**

**Future research** could expand upon these findings by investigating the long-term impacts of investor relations transparency, particularly on the **cost of capital and stock price volatility**, areas where trust building is expected to yield more direct effects. Given the observed **"superficial conformity" in emerging markets**, it would also be valuable to explore qualitative measures of transparency, perhaps through content analysis of investor reports or surveys of investor perceptions, to distinguish between formal compliance and truly substantive information disclosure. Additionally, replicating this study in other emerging markets with varying regulatory environments could provide broader insights into the generalisability of these findings, further enriching the understanding of corporate governance dynamics in diverse economic contexts.

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