



UNIVERSITATEA BABEŞ-BOLYAI
TRADIȚIE ȘI EXCELENȚĂ

HABILITATION THESIS

Candidate,

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Summary

The University is a fundamental institution of human society as it contributes in a decisive manner to innovation, to development and to economic, cultural and social progress of individuals, as well as of nations. Through the education it offers to members of community and through scientific research, the University is a determinant factor for the improvement of the quality of life in a world where the scarcity of resources becomes more of a reality each day.

The habilitation thesis which, according to the law, briefly presents the scientific results obtained after the granting of the PhD title, it is an important step that contributes to the accomplishment of the university's mission, namely *the creation and transfer of knowledge*.

In what follows we will present the structure and the main ideas included in the habilitation thesis and released in the scientific research field through published papers.

Section A presents information regarding the basic elements that outline the cornerstones defining the author's career, respectively the evolution of his academic, scientific and professional career. The scientific research should aim at creating new connections and international visibility, ensuring economic growth and improving the quality of social life. The activities I have carried out comply with these general objectives, so that we can reach scientific results that are really useful for the society in which and for which we work and live.

Section B includes the main research directions and significant results in the field that I have been dealing with. The main research directions included in the habilitation thesis are: *Contributions to country-level governance, business environment, entrepreneurship, environmental performance and their interconnections; Contributions about the impact of country-level governance and business environment education on the auditing and financial reporting standards; Research about determinants of audit fees and Creative accounting between perception and reality.*

In the research directions mentioned, starting from previous theoretical and empirical studies, that emphasized the idea of significant influence that the country-level governance might have on the business environment and entrepreneurship, we presented a study in order to investigate, on one hand, the extent to which the quality of country-level governance, as seen by the governance indicators established by the World Bank, influences the quality of business environment (measured by the *Index Ease of Doing Business* created and developed by the World Bank in its series of reports *Doing Business*). The study was based on a significant sample of 132 countries around the world, with 792 observations for an interval of 6 years (2007-2012) and the obtained results aim at enhancing the literature, arguing, through empirically supported models, the idea that certain characteristics of country-level governance such as the regulatory framework and the corruption control, has an positive and significant influence on the business environment.

On the other hand, we analyzed the influence that the quality of governance, measured with the same variables, has on formal entrepreneurship, measured by the number of newly registered companies as per the population aged between 15-64 years old, using the index established by the World Bank through *World Bank Group Entrepreneurship Survey* series of reports. Our findings suggest a higher level of entrepreneurship is closely linked to economic development, a more stable political environment and the ability of the government to promote and enforce the regulations favorable to business that could stimulate the private sector.

In conclusion, the results of this research provide empirically-supported models that some governance characteristics exert significant influence on business environment and entrepreneurship. Taken together, the theory and these models developed with relevant empirical evidence on large samples could suggest a number of implications for policy makers.

The first lesson for policy makers is that the control of corruption and its relationship with economic development and the ease of doing business is a complex topic that should be deeply analyzed in order to find the most appropriate mechanisms of controlling various forms of corruption so that business environment to be really stimulated. Second, our empirical evidence suggests that efforts to foster entrepreneurship within an economy will be more effective if accompanied by stable political environment and a government able to formulate and implement sound policies and regulations pro-business market in order to make it easier for new firms to enter the market, and to promote private sector development. Third, considering the influence of the legal system on ease of doing business, we suggest that each government should be aware about both, advantages and limitations that characterize its own type of legal system, looking for solutions in order to promote good legal rules that a country can implement in order to better stimulate business environment and economic development.

In the context of the influence of country-level governance on the business environment, we presented the study pertaining to the impact of the quality of country-level governance on the investors' protection. The ensuring of effective investor protection as a key driver of economic performance has become one of the major subjects of interest for academics from various economic areas. From our knowledge, there is a large amount of empirical studies showing different linkages between corporate governance mechanisms and investor protection, while too few studies address the impact of country-level governance on the strength of investor protection. In the vision of Matoussi and Jardak (2012) corporate governance along with mechanisms implemented for investor protection represent "*key drivers of market development*". On the other hand, there are some uncertainties about the mechanisms through country-level governance have a real influence when it comes to ensure the legal investor protection (Hail and Leuz, 2006).

In order to estimate the influence of country-level governance on investor protection we used the *strength of investor protection index (SIV)*, based on the methodology developed by

Djankov et al. (2008) and updated by the World Bank. Our results, using a cross-sectional sample of yearly observations covering 132 countries over the 2007-2012 periods, show that the relationship between governance and strength of investor protection is relevant particularly for high-income classes. This finding is well justified by some features specific to countries included in highest income categories. The effectiveness of judiciary systems and the security of property rights were empirically proven as significant especially for countries from highest income categories.

Also, we studied the impact of corporate governance and economic development on environmental performance using a cross-country approach, for a large sample of 125 countries from worldwide. Taking into account the objective of this study, namely the analysis of the influence of certain characteristics (dimensions) of corporate governance and the level of economic development on the environmental performance, we used data from three categories of reports (1. *The Environmental Performance Index (EPI)* computed by the “Yale Centre for Environmental Law & Policy” (YCELP) and the “Centre for International Earth Science Information Network” (CIESIN) at Columbia University, in collaboration with the Samuel Family Foundation and the World Economic Forum; 2. *The Global Competitiveness Report* issued by the World Economic Forum și 3. The World Bank report “Country and Lending Groups”).

Finally, the empirically findings obtained allow us to validate the research hypothesis formulated above, that corporate governance characteristics such as efficacy of corporate board and ethical behaviour and economic development in terms of income classification and stage of development significantly influence the environmental performance.

Another topic of interest was to highlight the influence of country-level governance characteristics on auditing and financial reporting standards, which is an insufficient developed issue in the literature on whether the country-level governance increases or decreases the level of strength of auditing and financial reporting standards (SARS). Grounded in the previous academic literature and based on the results of the comparative empirical international accounting and audit research that highlights the idea of the relationships between the quality of the regulatory framework and SARS, this study investigates whether country-level governance captured by governance indicators as they are developed by the World Bank (Kaufmann et al., 2009) is a determinant factor on SARS (as it is measured by the World Economic Forum). For measuring the quality of governance we used the governance dimensions developed by Kaufmann et al. (2009): voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, control of corruption. The second dataset used was the ranking assigned to the assessment of financial auditing and reporting standards regarding company financial performance from the Global Competitiveness Report

issued by the World Economic Forum. The variable used within this paper is given by the strength of auditing and reporting standards (SARS). Given all these datasets, the final data sample includes 132 countries for which all the variables were available during 2009-2011, following a final sample of 396 observations.

To our knowledge, this is the first study which provide direct evidence on the relevancy and impact of country-level governance's dimensions for strength of auditing and financial reporting standards, developing a global analysis for an extended 3-year period. The findings suggest that government effectiveness and legal framework captured through regulatory quality and rule of law are highly significant factors for strength of auditing and reporting standards. Similar to Houque et al. (2012), we found that high level of governance quality should generate an increasing demand for high-quality information through auditing and financial reporting standards.

Using the same sample above, in another research we analyzed the influence of educational variables on auditing and financial reporting standards because this was less explored in the academic literature (Cooper et al., 1994; Chow et al., 2007; Duh et al., 2008; Boolaky, 2012; Boolaky et al., 2013). The selected variables for business education and opportunities for research are dimensioned through some relevant indicators developed by World Economic Forum in its series of Global Competitiveness Reports. About the impact of auditing and financial reporting standards was measured through SARS indicator developed by the same organization. The results confirm that extent of staff training and availability of research and training services has a significant impact on strength of auditing and financial reporting standards (SARS). Our findings are in line with previous ones literature (Boolaky, 2012; Boolaky and Cooper, 2015; Boolaky and Conor, 2011) suggesting that training of staff is positively associated with the strength of auditing and financial reporting standards. Also, it's highlighted another dimension of educational process that really matters for a country's SARS, namely *availability of research and training services*. Therefore, the extent that companies invest in training and employee professional development can be considered as a valuable predictor of strength of auditing and financial reporting standards of a country.

In the field of audit pricing, there are a lot of previous research studies, but a significant part of them has focused on the US, New Zealand and Australia markets and too less have been focused on the emerging markets. For this reason, we conducted an empirical analysis of various determinant factors on audit fees for Romanian public-interest entities (PIEs) listed at Bucharest Stock Exchange. In order to test our hypothesis, we have conducted an empirical study and we have covered most important 55 public-interest companies listed at the Romanian Stock Exchange between 2009 and 2011. The last year of analysis is 2011 because starting with year 2012 Romanian companies are not obliged anymore to publish specific information about audit

fees. Public-interest companies were selected for conducting this study because of their significance for Romanian economic environment development, but also due to their transparency (even if required by the legal requirements) about the audit fees during the selected period.

The findings revealed that audit pricing for Romanian public-interest entities are significantly influenced by the annual turnover of the company, the importance of the auditor (whether it is a Big4 auditor or not) and the number of employees.

After I defended the Phd thesis in 2009 I have been concerned about the research of the link between corporate governance and creative accounting, a research direction approached within the postdoctoral research project *Dimensions of creative accounting in the field of corporate governance*. I have noticed that some concepts specific to a certain field shouldn't be studied individually, without taking into account the complex influences of some external variables because, otherwise, the results cannot have a significant scientific value.

In this context we presented in the paper several quantitative, but also qualitative studies analyzing the research in the field of creative accounting in order to see its evolution, to identify the mainstream research themes, but also the type of research used. In the same time, I was curious to see the way in which creative accounting is perceived in Romania by the representatives of the accounting profession, financial auditors and representatives of the professional body regulator and, respectively the way in which is used positive discrimination and persuasive language, as a technique of creative accounting.

In **Section C** are mentioned the perspectives regarding the scientific and teaching career, the premises and research objectives, the involvement in teaching activities and the development of teaching and research process.

The final part of the paper comprises the bibliography references of the studies presented within the paper.