

THE INFLUENCE OF ECONOMIC AND FINANCIAL INDICATORS IN THE ASSESSMENT OF ECONOMIC PERFORMANCE

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Abstract: *The continuous evolution of accounting imposed it as a model of description and modeling of an economic entity, becoming the most important system of information and assistance in issuing effective economic decisions. The process of evaluating an entity's performance requires the highlights a system of indicators that complies with the degree of satisfaction of the internal and external users' information needs of the annual financial statements. The objective of the research is to establish the determinants factors of the financial performance of economic entities, the research made analyzing the correlation between the profitability of the companies that are part of the BET and a number of other indicators. The financial performance was quantified by the accounting indicators: return on assets (ROA) and return on equity (ROE). Factors through which the impact on financial performance was analyzed are: capital structure (short-term indebtedness, long-term indebtedness, leverage), liquidity, capital intensity, growth opportunities, effective tax rate, net margin rate, market indicators (EPS, PER). The time period considered for our analysis covers 5 financial years for the period 2017-2021, with the necessary data being extracted for each company for the mentioned period. Following the analysis we found a negative correlation between the return on assets and the effective tax rate. Regarding the existing correlation between leverage and long-term debt, current liquidity, and capital intensity, we can see that it is moderate.*

The results of the present study are in line with other research in this field, with the indicators used as a reference for supporting decisions.

Keywords: *financial performance, accounting information, annual financial statements, return on assets, return on equity*

JEL Classification: *M41, C33, O10*

1. Introduction

Accounting information, the source material in the decision-making process, is the key to developing the economic entity. Its quality has an important role in the substantiation of the managerial decisions, helping to achieve the main objective of management, to maintain the entity as a going concern.

The current developments of modern society require continuous improvement of economic and financial information. It must be constructed in such a way as to meet both the management's decision-making requirements and the information needs of the company's partners. (Puican,2014)

Accounting has a privileged status in the accounting information market, given the double role it plays.

- Legal representative of the entity, producer of accounting information;
- Lead accounting information user responsible for preparing and publishing financial statements;

In the current economic context, the idea of measuring performance based on the creation of added value subordinated to the goal of sustainable development is encouraged and promoted, performance being a harmonising and associating relationship between efficiency and effectiveness.

The role of financial statements is to provide information on the financial condition of the entity, which provides internal and external users with an overview of the entity's performance. This allows the assessment of past and current positions, prediction of future development, to make an analysis of the dynamics over time of the economic and financial activity, providing the opportunity to take the necessary measures to intervene in time to prevent a possible financial difficulty (bankruptcy risk) that could affect the good progress of the economic activity.(Puican,2014)

2. Review of the literature

Performance can be considered as a particular result achieved in management, economic, commercial, etc., involving efficiency, effectiveness, and competitiveness of companies and their procedural and structural behaviours. (Verboncu and Zalman, 2005)

Economists M, Achim and S, Borlea define the concept of performance in terms of the existing relationship between the company and stakeholders, considering performance as the ability of an economic entity to create added value for stakeholders, to meet the demands of consumers, employees, and environmental protection.

Hada and Avram (2013), highlights that the financial statements provide information leading to the determination of the indicators of appreciation of the financial position (by calculating some indicators on assets and liabilities and comparing them with values considered normal for the sector).

Frank, J, N, states that each category of stakeholders has its own image on the concept of financial position. Still furthermore, Taulea (Samara) S, (2009) motivates that there are different images of financial position even in the same category of stakeholders (for example, commercial creditors perceive performance differently from financial creditors).

Thus, managers are interested in the overall performance of the company, investors (actual and potential) will perceive performance in terms of return on investment, employees and clients will show interest in the stability of the company,, and creditors are considering solvency and liquidity. (Ștefănescu, 2005),

Simplistically, a positive financial position is perceived when one encounters an entity in which equity is greater than or at least equal to debt, so that the entity can meet its undertaken obligations. In this respect (Ospishchew et al.), it suggests that an entity's financial position is measured by three attributes: reliability, solvency and financial stability.

The importance of the analysis of the concept of financial position and its influence on the decisions of the interested parties is underlined by the study by Martínez-Carrascal C, and Ferrando A, (2008) which proved that financial position of the entities, can be significantly influence the actions of the interested parties.

3. Research methodology

The objective of the research is to establish the determinants factors of the financial performance of economic entities, the research made analysing the correlation between the profitability of the companies that are part of the BET index and a number of other indicators.

Starting from different indicators to measure the financial position and performance, according to the information needs of all categories of stakeholders, they can build their own models of appreciation regarding the interdependence between them. An example in this sense is given by Beletu (2013), who presents how the rate of economic profitability as a performance assessment indicator is influenced by other indicators such as the fixed asset rate, the financial autonomy rate, the financial leverage, and the liquidity rate (research conducted for the forest sector). A similar scientific approach was undertaken by Romanian economists Anghelache and Anghel (2019), which highlighted the interdependence between the main economic indicators calculated at the entity level.

To measure companies' performance, we used as indicators the return on capital (ROE) and the return on assets (ROA), analysing the correlation between them and the Short-Term Debt (GITS), Long-Term Debt (GITL), Current Liquidity (Liquid_crt), Net Margin Rate (NPM), Price-to-Earn Ratio (PER), Results per share invested (EPS).

To perform a meaningful analysis of the relationship between the variables, namely the profitability of the companies and the indicators mentioned above, we selected a sample of 19 companies that were included in the BET index, namely Fondul Proprietatea, BANCA TRANSILVANIA S,A, OMV PETROM S,A, N,G,N, ROMGAZ S,A, BRD - GROUPE SOCIETE GENERALE S,A,, S,N, NUCLEARELECTRICA S,A,, MedLife S,N,T,G,N, TRANSGAZ S,A, Digi Communications N,V ENERGY, ELECTRICA SA, TERAPLAST SA, Transelectrica SA, TTS(TRANSPORT TRADE SERVICES), ALRO SA, PURCARI WINERIES PUBLIC COMPANY LIMITED, to preserve the viability of statistical analysis by ensuring a high degree of data homogeneity.

The time period considered for the analysis covers 5 financial years related for the period 2017-2021, the necessary data being extracted for each company separately for the mentioned period.

The selected indicators express in concrete terms the economic and financial situation of the commercial companies that are part of the BET index, and in a correlated manner express how it evolves from one period of time to another.

BET represents the local capital market benchmark (Romania), BET reflects the evolution of the 19 most traded companies in the BVB BVB Regulated Market, excluding financial investment companies. It is a price index weighted with the capitalisation of the free float, the main selection criterion of the companies in the index being liquidity. The information provided by the annual financial statements for the 19 entities allows the collection of data needed to calculate the economic and financial indicators found on the Bucharest Stock Exchange website.

A first step in this analysis is the presentation of the variables used in the econometric model (Table 1).

Table No.1 Variables used in the empirical analysis

Variable Name	Method of calculation	Symbol
Performance variables-dependent variables		
Return on assets	Net profit/Total assets	ROA
Return on equity	Net Profit/Equity	ROE
Independent variables		
Capital structure variables		
-Short-term indebtedness	Short-term liabilities/Total assets	GITS
Long-term leverage	Long-term liabilities/ Total assets	GITL
Leverage	Total liabilities/Equity	LEV
Liquidity		
-Current liquidity	Current assets/Current liabilities	Liquid_crt
-Capital intensity	Non-current assets/Total assets	Intense
Growth Opportunities		
Relative evolution of turnover	$(CA1-CA0)/CA0$	Evol_CA
Performance indicators		
- Net margin rate	Net Profit/Turnover	NPM
Market indicators		
Earning per share	Net Profit/Number of Shares	EPS
Price earning ratio	Price/(Net profit/number of shares)	PER
Taxation		
- Effective tax rate	Income tax expense/Gross profit	ETR
Control variables		

(Source: Gănescu,2016)

Data Analysis and Interpretation

Using the statistical program Eviews 12 Student Lite I made a descriptive statistics (deals with the collection, classification, characterization and presentation of numerical data) of the 12 variables (ROA, ROE, Liquid_crt, Intens, Evol_CA, NPM, GITS, GITL, EPS, PER, ETR) and we created two econometric models using unbalanced panel data.

Panel data models consist of regression equations, in which series that are used at the same time, both chronological chronological time series and cross-sectional data series. Since this situation frequently occurs in the analysis of socio-economic phenomena and processes taking place at regional level, the author opted for the

application of this type of econometric models in this paper. The study of the data in panel- type data means the joint analysis of cross-sectional observations (regions, countries, sectors, households, firms, etc.) made in several periods of time.

After applying multivariate analysis methods, linear or non-linear econometric modeling, single or multiple, can be applied based on the results obtained, Among these, we chose multiple linear regression as a method for analyzing economic and financial profitability in relation to others indicators considered to be its determining factors.

$$ROA_{it} = \alpha_0 + \alpha_1GITS_{it} + \alpha_2GITL_{it} + \alpha_3Liquid + \alpha_4Modif_CA_{it} \\ + \alpha_5ETR_{it} + \alpha_6EPS_{it} + \alpha_7PER_{it} + \varepsilon_{it}$$

$$ROE_{it} = \alpha_0 + 1LEV_{it} + 2Intensity + 3Liquid + NPM_{it} + 5ETR_{it} \\ + 6EPS_{it} + 7PER_{it} + it$$

Where: α_0 = the constant term; the free term of the model;

$\alpha_1, \dots, \alpha_7$ = slope parameters; obtained by the method of least-squares are functions of the selection data (from the sample);

ε_{ij} = the term error, which quantifies the influence of factors with random action,

$t = 2010, 2011, \dots, 2014$;

$i = 1, 2, \dots$.

4. Findings

In order to ensure the accuracy of the data, a descriptive analysis of the variables was performed as detailed in the table below. Asymmetry and Kurtosis (Kurtosis in statistics is used to describe the distribution of the dataset and describe how much the data set points of a particular distribution differ from the data of a normal distribution, It is used to determine whether a distribution contains extreme values) are the two important characteristics of distribution that are studied in descriptive statistics. As we can see, in the econometric analysis, the distribution of the variables used is characterized by a positive skewness, since it records positive values, except for the ETR variable only, Kurtosis provides information on the distribution of the variables. Thus, in the table below, it can be observed that all variables have a coefficient higher than 3, which implies a leptokurtotic distribution (When the kurtosis is positive in terms other than zero, the data is leptokurtic, Leptokurtic has strong steep curves on both sides, indicating the abundant population of outliers in the data set). This suggests that the probability of an extreme event is greater than the probability of that event implied by a normal distribution. The Jarque-Bera test (This test first calculates the coefficient of asymmetry (Skewness) and the coefficient of bolting (Kurtosis) for the residuals obtained by applying the least squares method) considers both the skewness and the flattening coefficient and checks to what

measure the empirical distribution can be approximated with a normal distribution. We can find that most variables do not have a normal distribution, since they have a probability of less than 0,05. Given the results presented in Table 2, we can see that the economic profitability (ROA) varies between -0,077 and 1,20, while the financial profitability of the ROE varies between -0,214 and 1,47 (Table 2).

Table no.2 Descriptive statistics

Mean	Variables	Median	Maximum	Minimum	Std, Dev,	Skewness	Kurtosis	Jarque-Bera	Probability	Obs
0,08	TIME	0,06	1,20,	-0,077	0,14	6,07	47,90	8113,547	0,00	90
0,14,	ROE	0,11,	1,47	-0,214	0,18	5,00	37,59	4683,483	0,00	90
14,01	NPM	0,13,	1125,24	-	118,79	9,24	87,00	27743,74	0,00	90
			0,146							
0,13,	GIST	0,08	0,73	0,00	0,15	1,50	5,02	729,55	0,00	90
0,13,	GITL	0,05	0,74	0,00	0,18	1,41	4,16	45,56641	0,00	90
1,44	LEV	0,24,	12,37	0,00	2,93	2,43	7,52	38,71943	0,00	90
3,99	LIQUID_CRT	2,08	43,16	0,00	6,13	3,85	21,16	165,4696	0,00	90
0,15,	EVOL_CA	0,02	10,10,	-0,965	0,19	2,94	23,10	18329,80	0,00	90
0,07	ETR	0,14,	1,12,	-7,547	0,84	-8,51	78,57	22500,76	0,00	90
5,20	EPS	0,99	154,36	-	19,17	6,18	44,57	7052,67	0,00	90
			4,673							
4,70	PER	0,86	60,31	-	10,57	3,39	15,14	725,4551	0,00	90
			6,980							

Source: Own calculations in Eviews

Table No. 3 Correlation matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12
1ROA	1	0,900	0,068	0,207	-	-0,040	-0,110	-	0,115	-0,035	-	0,022
				0,006			0,177			0,846		
2ROE	0,900	1	-	0,147	-	0,238	0,018	0,087	-	-0,083	-	-0,027
			0,084	0,042				0,044		0,762		
3LIQUID_CRT	0,067	-	1	-	0,014	-0,298	-0,224	-	0,349	0,028	-	-0,085
		0,084	0,129				0,255			0,058		
4EVOL_CA	0,207	0,147	-	1	-	-0,024	-0,002	-	0,103	0,003	0,006	-0,014
			0,131	0,113			0,021					
5NPM	-	-	0,014	-	1	-0,077	-0,085	-	0,105	-0,122	0,012	-0,032
	0,006	0,042	0,113				0,058					
6GITS	0,040	0,238	-	0,024	-	1	0,545	0,314	0,193	-0,122	0,114	0,274
		0,298	0,077									
7 GITL	-	0,018	-	-	-	0,5448	1	0,432	0,260	0,055	0,176	-0,043
	0,110	0,224	0,003	0,085								

8LEV	-	0,087	-	-	-	0,314	0,432	1	-	-0,110	0,139	-0,027
	0,177		0,255	0,021	0,058				0,135			
9INTENSE	0,115	-	0,349	0,103	-	0,193	0,260	-	1	0,068	0,030	0,088
		0,044			0,105					0,135		
10PER	-	-	0,028	0,003	-	-0,122	-0,055	-	-	1	0,032	-0,117
	0,035	0,083			0,122						0,110	0,068
11 ETR	-	-	-	-	-	0,114	0,176	0,139	0,030	0,032	1	-0,007
	0,846	0,762	0,058	0,006	0,012							
12 EPS	-	-	-	-	-	0,274	-0,043	-	0,088	-0,117	-	1
	0,022	0,027	0,085	0,014	0,032			0,027			0,007	

Source: Own calculations in Eviews

In order to analyze the correlation between variables, we used the correlation matrix as shown in Table 3. The correlation matrix is used for the analysis of multilinearity. Usually:

- the value of coefficients between 0 and 0,30 marks a weak correlation;
- 0,30 to 0,70 moderate correlation;
- and between 0,70 and 1, a high correlation,

By analysing the data presented in the table, we can find that there are:

- Strong correlation between return on assets and return on capital of 0,9;
- moderate correlation between leverage and long-term leverage of 0,43;
- long-term indebtedness and short-term indebtedness of 0,54;
- current liquidity and capital intensity of 0,34;

On the contrary, the correlation between the return on assets and the effective tax rate of -0,84 exists.

To test whether the model with fixed or random effects model is appropriate, by identifying the presence of endogeneity in the explanatory variables,, we used the Hausman test,, a statistical test used in econometric to compare a concurrent predictor under the null hypothesis and the alternative hypothesis and a concurrent and efficient estimator under the null hypothesis but do not converge under the alternative hypothesis. The Hausman test hypothesises that the double least -squares estimator is significantly different from the usual least -squares estimator).

The Hausman test is also useful for panel data when comparing model estimates with fixed and random effects. The choice of model in panel data should be based on information about the individual specific components and the exogeneity of independent variables. In order to decide which model provides the most accurate results considering the data type panel (appropriate panel data model, either fixed effects method or random effects), we conducted a Hausman test that showed values

for Prob>chi2(Chi-square test, also called Chi-square (PATH2), is in tests of descriptive statistics, in particular descriptive statistics applied to the study of two variables) higher than 0,05, which indicated the use of the random effects model .(Figure 1)

View	Proc	Object	Print	Name	Freeze	Estimate	Forecast	Stats	Resids
Correlated Random Effects - Hausman Test									
Equation: Untitled									
Test cross-section random effects									
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.					
Cross-section random		6.577132	7	0.4742					
Cross-section random effects test comparisons:									
Variable	Fixed	Random	Var(Diff.)	Prob.					
LEVIER	0.017881	0.012667	0.000064	0.5146					
INTENS	0.173614	0.057543	0.005989	0.1336					
LICHID_CRT	-0.001715	-0.002830	0.000002	0.3705					
NPM	-0.000008	-0.000045	0.000000	0.2954					
ETR	-0.164694	-0.166444	0.000017	0.6722					
EPS	-0.001746	-0.000960	0.000000	0.0581					
PER	0.000270	-0.000287	0.000000	0.3715					

Figure no.1 Hausman test
 Source: Own calculations in Eviews

The parameter estimation and model significance testing are performed using the EViews statistical-econometric analysis program and the results are presented in Figure 2.

Cross-section random effects test equation:
Dependent Variable: ROE
Method: Panel Least Squares
Date: 04/01/23 Time: 12:48
Sample: 2017 2021
Periods included: 5
Cross-sections included: 18
Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.041144	0.057653	0.713648	0.4780
LEVIER	0.017881	0.009717	1.840230	0.0703
INTENS	0.173614	0.094088	1.845240	0.0696
LICHID_CRT	-0.001715	0.002463	-0.696208	0.4888
NPM	-7.66E-06	0.000104	-0.073707	0.9415
ETR	-0.164694	0.014246	-11.56036	0.0000
EPS	-0.001746	0.000790	-2.209613	0.0307
PER	0.000270	0.001350	0.199726	0.8423

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.770312	Mean dependent var	0.142377
Adjusted R-squared	0.685505	S.D. dependent var	0.176644
S.E. of regression	0.099062	Akaike info criterion	-1.556014
Sum squared resid	0.637860	Schwarz criterion	-0.861622
Log likelihood	95.02063	Hannan-Quinn criter.	-1.275994
F-statistic	9.083047	Durbin-Watson stat	2.181631
Prob(F-statistic)	0.000000		

Figure no.2 Results of multiple regression analysis between ROE, LEVERAGE,,LIQUID_CRT, LEVERAGE,INTENSE,PER,EPS,ETR variables

Source: Own calculations in Eviews

Interpreting the data in Figure 2 we could observe that the parameters recorded in the second column (Coefficient column) are significantly different from zero for the free term and for the capital intensity, its value being $0,17 \cdot 10^4$ which shows that this factor under study has an influence in the evolution of profitability.

On the other hand, if we follow the F-statistical test we can find that its value, $F=9,083$, is much higher than the tabular value for the threshold of significance considered $\alpha=0,05(F_{t=4,26})$, which indicates that the results obtained are significant.

Also, the R-squared correlation coefficient (Pearson correlation coefficient) is often used to measure the statistical relationship and association between certain data. The result that this coefficient offers can be negative or positive. When the Pearson correlation coefficient has a positive value, it means that in each increase of one of the variables analyzed there is also an increase of the other correlated variable. A negative value of the Pearson coefficient tells us that in each increase of one variable, there is a decrease of the other,) has the value 77% close to the unitary one, thus indicating a probability of 77,03% that this model is correct. With respect to the value of 2,18 recorded in Figure 2 for the Durbin-Watson test (Durbin-Watson test (DW) is used to perform an AR self-correlation test (1) on a dataset.This contrast focuses

on the study of residues of MCO (Ordinary Least Squares), DW is a statistical test that contrasts the presence of autocorrelation in residues of a regression),, this indicates a positive autocorrelation of residual values, being lower than the tabular value $d_{1=0,14}$ for a series of 90 observations, with a materiality threshold $\alpha=0,05$ and a number of factors $k=7$.

According to the data contained in Figure 2 we can estimate theoretical values of the endogenous variable according to the relation:

$$ROE = 0,041144 + 7,66E * 10^{(-6)} * NPM + 0,017881 * LEVIER + 0,173614 * INTENS - 0,001715 * LIQUID_CRT - 0,164694 * ETR - 0,001746 * EPS + 0,000270 * PER$$

For the ROA variable, the Hausman test showed values for Prob>chi2 (Chi-square test, also called the Chi-square test (PATH2), is in descriptive statistics tests, in particular descriptive statistics of the study of two variables. Descriptive statistics, in turn, focus on extracting information about the sample. In contrast, inferential statistics extract information about the population. The chi-square statistic will take a value equal to 0 if there is a perfect agreement between the observed and expected frequencies; in contrast, the statistic will take a large value if there is a large discrepancy between these frequencies and consequently the null hypothesis must be rejected,) greater than 0,05 that indicated the use of the random effects model .(Figure 3),

View	Proc	Object	Print	Name	Freeze	Estimate	Forecast	Stats	Resids
Correlated Random Effects - Hausman Test									
Equation: Untitled									
Test cross-section random effects									
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.					
Cross-section random		7.805986	7	0.3500					
Cross-section random effects test comparisons:									
Variable	Fixed	Random	Var(Diff.)	Prob.					
GITS	0.104681	0.170254	0.001944	0.1369					
GITL	-0.098828	-0.040738	0.007909	0.5136					
LICHID_CRT	0.000035	0.001799	0.000002	0.2459					
EVOL_CA	0.021411	0.025902	0.000014	0.2250					
ETR	-0.135403	-0.140443	0.000014	0.1753					
EPS	-0.001171	-0.000731	0.000000	0.0862					
PER	0.000398	0.000052	0.000000	0.4222					

Figure no. 3 Hausman test
 Source: Own calculations in Eviews

The parameter estimation and model significance testing are performed using the EViews statistical-econometric analysis program and the results are shown in Figure 4.

Cross-section random effects test equation:
 Dependent Variable: ROA
 Method: Panel Least Squares
 Date: 04/01/23 Time: 12:59
 Sample: 2017 2021
 Periods included: 5
 Cross-sections included: 18
 Total panel (unbalanced) observations: 80

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.091205	0.021418	4.258277	0.0001
GITS	0.104681	0.079682	1.313739	0.1944
GITL	-0.098828	0.105613	-0.935751	0.3535
LICHID_CRT	3.47E-05	0.002323	0.014927	0.9881
EVOL_CA	0.021411	0.007546	2.837410	0.0064
ETR	-0.135403	0.009390	-14.41966	0.0000
EPS	-0.001171	0.000491	-2.386481	0.0205
PER	0.000398	0.000873	0.456156	0.6501

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.871711	Mean dependent var	0.083941
Adjusted R-squared	0.815731	S.D. dependent var	0.147056
S.E. of regression	0.063126	Akaike info criterion	-2.437059
Sum squared resid	0.219170	Schwarz criterion	-1.692675
Log likelihood	122.4823	Hannan-Quinn criter.	-2.138614
F-statistic	15.57168	Durbin-Watson stat	2.133942
Prob(F-statistic)	0.000000		

Figure no.4 Results of the multiple analysis between the ROA, LIQUID_CRT, GITS, GITL, LEVER, INTENSE, PER, EPS, ETR variables
Source: Own calculations in the reviews

By interpreting the data in Figure 4 we could observe that the parameters recorded in the second column (Coefficient column) are different from zero for the free term and for the short-term indebtedness, and for the factor the relative evolution of turnover is very close to zero, its value being 0,021411 which shows that this factor subject to study has a very small influence in the evolution of profitability.

On the other hand, if we follow the F-statistical test we can find that the value $F=15,571$ is much higher than the tabulated value for the threshold of significance considered $\alpha=0,05$, which indicates that the results obtained are significant.

Additionally, the R-squared correlation coefficient is 87% close to the unit value, indicating a probability of 87,17% that this model is correct.

Regarding the figure of 2,13 recorded in Figure 4 for the Durbin-Watson test, this indicates a positive self-correlation of residual values, lower than the tabular value (calculated degrees of freedom) $d(1=0,08)$ for a series of 80 observations with a materiality threshold = 0,05 and a number of factors $k=7$.

According to the data contained in figure 4 we can estimate theoretical values of the endogenous variable according to the relationship:

$$\begin{aligned} ROA = & 0,091205 + 3,47, E * 10^{(-5)} * LIQUID_CRT + 0,104681 * GITS \\ & - 0,098828 * GITL + 0,021411 * EVOL_CA - 0,135403 * ETR \\ & - 0,001171 * EPS + 0,000398 * PER \end{aligned}$$

5. Conclusion

The analysis revealed a negative correlation between asset return rate and the effective tax rate, are in terms of the current correlation between leverage and long-term indebtedness, current liquidity and current capital intensity, we can see that it is moderate one.

The results of this study are consistent with other studies in this field, indicators used as a basis for decision- making.

Based on the above, we find that information on the entity's economic situation performance is useful for assessing potential changes in economic resources that it may control in the future and for anticipating the ability to generate revenue streams with existing resources. In addition, position and performance are used to formulate judgements on how effectively the entity can use new resources..

The models used represent definite analytical tools provided that they are used in accordance with the existing methodology, based on definite data, lead to the achievement of parameters that make it possible to estimate the results in the short, medium or even longer term. The results obtained through the use of econometric models are tools for analysing but also to predicting the economic activity of the entities. In this sense the, management must take into account these results which they can concentrate in a program of measures aimed at recovering the situation in case of the economic agent encounters difficulties or ensure a high degree of accuracy in the future development of the activity as a result of the measures taken.

The information provided by the annual financial statements is a source of valuable data in the diagnosis of the financial condition of an economic entity in terms of visibility and credibility, the structures specific to the financial position and performance through liquidity, but also the profitability that ensures the optimal conditions for maintaining the financial balance and at the same time the efficiency of the activity.

The role of financial statements in the decision-making process of each user of the information provided by any economic entity derives from the level of information presented, depending to a large measure on its quality.

Starting from different indicators to measure the financial position and performance, according to the informational needs of all categories of interested parties, they can

build their own models of appreciation regarding the interdependence between these two concepts.

Financial statements are a fundamental tool for managers and financial analysts being essential in examining the effectiveness of the risk management process at the level of an enterprise. They represent the starting point that provides clues for future analyses, the changes occurred in time at the level of economic-financial indicators determined on the basis of financial statements providing a dynamic vision of the company's performance.

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