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To Link this Article: http://dx.doi.org/10.6007/IJARAFMS/v1-i2/9818  DOI:10.6007/IJARAFMS/v1-i2/9818

Received: 11 July 2011, Revised: 14 August 2011, Accepted: 30 August 2011

Published Online: 19 September 2011

In-Text Citation: (Anghel, 2011)

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Abstract
This work proposes a study on the evolution of capital market basically in Romania during 1995 - November 2011, focusing on the effects that economic crisis has had on the field, as well as how to recover. To complete the picture of the capital market in Romania an analysis of key strengths and weaknesses that appear in the specific activity of this domain can be done. Such a SWOT analysis of the Romanian capital market brings out the main directions of development of this field, and potential remedies of any slippage occurred in the securities market.

Keywords: Capital Markets, Capitalization, BET, SWOT Analysis

Introduction
In the context of the modern economy, capital market is an essential part of any national economic system; it is intended to ensure the necessary transfer of financial capital between owners and entities wishing to attract these resources. In our country, it is considered that the capital market is, with money market and insurance market, a part of the financial market.

The first forms of organization of the capital market in our country dates from the mid-nineteenth century (the establishment of the Bucharest Stock Exchange), but they were subsequently abandoned after 1948. In its modern form, has reorganized the Romanian capital market after 1990, the main landmark reorganization Bucharest Stock Exchange in 1995.

Organizing the Capital Market in Romania
The capital market is a complex structure in terms of traded products, procedures and techniques specific trading financial instruments or the formation of price books. This fact has imposed the need to identify criteria to ensure an efficient structure of this market. The premises of the establishment of the capital market in our country can be found in the early '90s, with the transition from super-centralized socialist economy to an economy based on free competition (Anghel, 2007). From a legal point of view, we can say that the adoption of Law 31/1990 regarding companies and of Law no. 58/1991 regarding the privatization of companies were considered defining moments for Romanian capital market development.
The year 1994 can be considered as a new defining moment in the evolution of the Romanian capital market. Thus, by Law no. 52/1994 on securities and stock exchanges have set up new institutions to ensure proper functioning of the Romanian capital market, including the Agency Securities (later transformed into the National Securities Commission - NSC).

In 1995, due to the National Securities Commission’s decision the Bucharest Stock Exchange was established, at the base of this approach being the application of 24 securities companies to negotiate shares of six companies.

In 1996, the OTC market were founded, creating thus a kind NASDAQ market, Romanian Association of Securities Dealers called Automated Quotations (RASDAQ) were traded through securities that were not included into the Bucharest Stock Exchange.

Finally, it should be noted that, in 1994, was established (as company) Sibiu Monetary - Financial and Commodities. Later, in 2003, the economic entity has been authorized as a company stock. To better cope with the specific requirements of modern economy, the legislative framework for capital market in our country has suffered over the years numerous changes designed to ensure the proper functioning of this market and its compatibility with EU requirements in Europe. Currently, the law on the functioning capital market in Romania is the main landmarks Law. 297/2004 on the capital and Law. 514/2002 approving Government Emergency Ordinance no. 25/2002 regarding the approval of the National Securities Commission Statute.

Within these legal provisions and regulations of capital market operation issued by the National Securities Commission were taken over the provisions of European Directives which regulate this field.

**Items on the Romanian capital market developments**

Most of the capital market transactions in our country are carried out through the Bucharest Stock Exchange (BSE). Therefore, it can be said that any conclusions regarding the developments in this institution can be extrapolated to the entire Romanian capital market.

In the BSE operate a regulated market spot, a regulated market within a section called RASDAQ market and an alternative trading system. Transactions executed on the BSE are conducted through the electronic trading arena. The system developed in house delivers electronic acquisition orders placed by authorized intermediaries and execution of transactions in the markets administered by BSE.

In the late 2010, the BSE following types of financial instruments traded shares, rights, bonds, units, structured products, and futures.

The stock market is a relatively small country in terms of total number of listed companies. Thus, the maximum number of BSE regulated market listed companies was reached in 1999, when shares have been traded for a total of 127 companies. Currently, the number of companies listed on BSE market was significantly reduced, so that at the end of 2010 on the BSE main market were listed a number of only 74 companies, and in November 2011 were listed 78 companies.

A similar trend can be seen with a RASDAQ market, which reached the maximum number of all listed companies in 1999 (5,516 companies). The number of these companies gradually decreased so that at the end of 2010 on the RASDAQ market were quoted a total of 1309 economic entities, and in November 2011 were listed 1195 companies (Bucharest Stock Exchange – www.bvb.ro).
An extremely important item in the capital market performance analysis refers to the evolution of market capitalization, which is an important indicator in characterizing this field of activity (especially due to the fact that this indicator is used as a weighting factor in calculating indices scholars). Market capitalization is a potential indicator of a stock, representing market value of listed companies, measured as the sum of products of the number of shares of each company listed and their corresponding market price.

Capitalization of the Bucharest Stock Exchange since its inception has seen a strong upward trend. It is important to note the evolution of the Stock Exchange capitalization during 2003 - 2006, when there was an increase of about 660%. In terms of market capitalization RASDAQ related sector, 2007 marked a significant increase of this indicator, from a value of 4117.6 million USD in late 2006 reaching a total capitalization of 10031.2 million USD at the end of 2007 (Anghelache, 2008).

The analysis also reflects the fact that 2008 has brought a significant decrease in the capitalization value stock. Thus, it is noted that the value of companies listed on Bucharest Stock Exchange halved the previous period due to the installation of the economic - financial crisis in our country (Anghelache and Anghel, 2009).

Another important element in the analysis of capital market developments in our country refers to transactions in financial instruments entered the Bucharest Stock Exchange during 1995 - November 2011. The value of transactions on the BSE increased significantly during 2002-2007. However, the stock market may see a reduction in transaction volume growth. Thus, in 2007 the value of this indicator has increased by approximately 48% compared to the previous period, which is growing at a much lower than that registered in 2004 and 2005 (147.6% and 257.2%).

### Table 1. Number of listed companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of listed companies</th>
<th>The regulated market BSE</th>
<th>RASDAQ market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>9</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>17</td>
<td>1.561</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>76</td>
<td>5.367</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>126</td>
<td>5.496</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>127</td>
<td>5.516</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>114</td>
<td>5.382</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>65</td>
<td>5.084</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>65</td>
<td>4.823</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>62</td>
<td>4.442</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>60</td>
<td>3.998</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>64</td>
<td>3.683</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>58</td>
<td>2.420</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>59</td>
<td>2.019</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>68</td>
<td>1.753</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>69</td>
<td>1.561</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>74</td>
<td>1.309</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>78</td>
<td>1.195</td>
<td></td>
</tr>
</tbody>
</table>
The year 2008 recorded a significant decrease, especially the value on the primary market transactions BSE and the electronic component RASDAQ.

In 2010 there was a 32.3% decrease in the number of transactions from the previous year, and a decrease of 7.6% of the average daily number of shares. The value of the transactions of 22, 0 million lei in 2010 remains at the level of the mid-2005 (Pasol, 2011).

The analysis of the Bucharest Stock Exchange cannot be considered complete without some observations on the evolution of the main indices of the market namely BET and RASDAQ-C index. The principal amount of the Bucharest Stock Exchange indices (BET and RASDAQ-C) has seen a significant appreciation in the period 1998 to 2007, a situation reflecting increased activity in our country fellow system. Unfortunately, the economic crisis - financial sector deeply affected Romanian scholar, so that in 2008, there is an unprecedented decrease in BET value (ca. 78.71%).

BET index (calculated based on the most important ten actions listed on the regulated market of BSE) ended 2010 with a modest increase of 12.3%, BET-C composite index had a similar variation 14.6% and financial investment companies' index, BET-FI, lost 8.0%. Other regulated market indices officials, BET-XT (calculated on the basis of prices of 25 major companies) won only 1.9% in 2010, and the index BET-NG energy sector ended the year with 29.5%. The value of transactions in shares on the BSE regulated market slightly increased by 10% compared to 2009.

The evolution of market shares listed on BSE to be covered been a number of distinct stages in 2010. In the first three months of continued growth BET started last year, gaining 27.2% from the end of 2009. In the next three months, the shares declined, reversing gains in the first quarter, and the BET variation in the first six months of 2010 was only 1.1%. After a slight increase in July, the last five months have brought a surprisingly stable development of all shares listed on BSE, although foreign markets saw increases in this period.

BET cumulative return in the last three years (2008-2010) - 46.4% remains, and the value recorded at the end of 2010 BET stands at the level of the mid-2005, five years ago.

Unlike other years, the Romanian capital market correlation with markets in the region weakened in intensity (PX, WIG and BUX indices scholarships are the Czech Republic, Poland and Hungary, respectively). The correlation coefficients between BET and indices WIG, BUX and PX in 2010 were 0.16, 0.67, 0.74 respectively, compared to 0.97, 0.99, and 0.98 respectively in 2009 (www.kmarket.ro). Properly decline and developments on the local market correlation with developed market developments: the coefficient of correlation between BET and S&P500 index U.S. was 0.49 in 2010, up from 0.98 in 2009 and 0.94 in 2008.

The above coefficients show that in 2010 local factors were important in the evolution of growth for shares listed on BSE at the expense of external factors, the only matter to developments in other years. Romania's economic performances below expectations have caused a great deal of non-resident investors to adopt a general strategy of waiting, which was largely followed and local investors. This has affected the liquidity: the daily average turnover in shares on the BSE regulated market registered 13.2 million lei in the fourth quarter 2010, down 50% from 29.9 million value recorded in the first six months of the year.

BET volatility calculated as standard deviation of daily returns was only 1.89% in 2010, down from 2.58% in 2009 and 2.68% in 2008 but comparable with values of 1.41%, 1.36% and 1.99% recorded in 2007, 2006 and 2005 respectively. In the last six months of 2010, volatility was only 0.98% (www.kmarket.ro).
Conclusions regarding the evolution of the Bucharest Stock Exchange in the period since its establishment until now can be considered as valid for the entire capital market in our country. Thus, this field has seen a continuous development in the period after 1990, with special mention for the years 2002-2007. It also notes that the economic crisis - have profoundly affected the global financial capital market in our country during 2008, so that the volume of securities transactions entered into in 2008 was reduced by 50% over the previous period.

SWOT analysis of the Romanian Capital Market

A SWOT analysis of the Romanian capital market (Georgescu and Dudian, 2008) will bring out the main directions of development of this field, and potential remedies of any slippage occurred in the securities market.

Strengths

- Adoption of a modern legal framework compatible with the European Union countries, designed to ensure the effective protection of investors and capital market - generally effective to stabilize the groundwork Romanian capital market.
- During 2002 - 2007, following the effective liberalization of this sector, capital market in Romania has experienced a strong development in all its components, a trend that is reflected in the volume of transactions and the values recorded the major indexes.
- Positive trends in capital market are significantly influenced by the positive trend registered by the vast majority of results of macroeconomic indicators during 2000-2007 (Obreja, Dragota, Catarama and Semenescu, 2008).
- Another important factor in the Romanian capital market development was the introduction of flat tax of 16%, which is below the level registered in other states.
- From a technical standpoint, the Bucharest Stock Exchange's initiative to create new platforms for monitoring development of stock market transactions in Romania (via Internet or mobile phone) can be considered as another potential factor for further development success of this domain.

Weaknesses

- Relatively unstable political situation in recent years had a negative impact on stock market investments in our country.
- Relatively low country rating granted to Romania by the specialized agencies of the prudential attitude causes large foreign portfolio investors.
- Failure to achieve a meeting of the entire Romanian capital market, the merger of the Bucharest Stock Exchange and Sibiu Monetary - Financial and Commodities, negatively affecting the overall performances of this domain.
- The Romanian economy is largely dependent on foreign capital inflows, which negatively affects the country's economic performance and on the capital market.
- Continuous depreciation of national currency influences, in turn, negative performance in the field of capital transactions.
- The number of companies listed on the stock market in our country is very low compared with that recorded elsewhere.
• The information to the general public and investors interested by institutions of the capital market are much less compared with those available in countries where this activity is very developed.

• The high dependence of the Romanian economy to developments in international markets is another problem in the development of capital market in our country. Thus, it is noted that the economic crisis - the financial world has been felt right across the Romanian economy and hence the capital market, the performance achieved by this field is significantly reduced in 2008.

Opportunities

• Harmonization of legal framework in our country with the EU Directives allows Romanian entities listed address all EU markets without the need to obtain new permits.

• The merger made in 2006 between BSE and RASDAQ market has significantly improved the overall image of the capital market in Romania.

• Another factor influencing positive developments aimed at creating the Romanian capital market in recent years, the modern institutions to ensure smooth operation of the field, with particular reference to the establishment - in 2006 of the Central Depository.

• Tax rate of 16%, considered to be relatively low compared with those in other European countries, is a factor that could attract investors to the capital market in our country.

• Another success factor for our country’s capital market is the relatively easy access for potential investors in this market.

Threats

• The perpetuation of the negative effects of economic crisis in the next period could seriously affect the capacity of the Romanian capital market.

• Dependence on international developments of the Romanian economy can be considered as a potential threat to the capital market in our country.

• Another concern regarding the further development of capital market in our country is to reduce significantly the number of listed companies on the stock market.

Conclusions

Bucharest Stock Exchange evolution has been positive during the 1995–2007, which is favored both by our country-specific macroeconomic developments, as well as more favorable perception of Romanian economic entities on the role and place in a capital market system modern economy. 2008 is a bad period for the capital market in Romania, which is deeply affected by international economic crisis effects.

SWOT analysis of the capital market in our country revealed that it has not reached an optimal level of maturity; it is still subject to quite strong influence of external factors. The main threat to the capital market activity in our country in the near future relates the negative influence of the overall evolution of the Romanian economy and dependence on specific developments to major international capital markets.

It is noted that substantial efforts are made to ensure adaptation of the Romanian capital market to the modern economy requirements and its compatibility with counterparts in EU countries.
References


