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Companies' Sustainable Growth, Accounting Quality, and Investments Performances. The Case of the Romanian Capital Market

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Abstract: The paper analyzes the influence of sustainable growth (SGR) as a reflection of the manner of strategic business organization, particularly in the quality of reported financial information (magnitude of discretionary accruals—DAC) as an expression of the ethical attitude adopted by companies in the entity–investor relationship, on the investors' decisions, substantiated in the performance level of the shares held. Using models consecrated in the literature, the results reflect a significant influence, both in the case of separate testing of the two factors (SGR and DAC), and in the case of the conjugated action thereof, on investment performance. The relations were also tested by introducing certain control variables into the analysis, such as: the intangible ratio, quick ratio, company size, as well as the SGR sensitivity function of the level of information quality. In the case of financial information quality, specific indicators from the two consecrated value relevance testing models by Ohlson (1995) and Easton and Harris (1991) were used as control variables. The obtained results are robust, preserving the sense and intensity of the influences. However, in the case of testing for the influence of information quality on share price, it was noticed an insignificant relation, associated with the situation in which, to execute some speculative transactions, investors particularly interpreted conjunctural factors. The study contributes to the development of the specialty literature by highlighting the role of internal growth and information quality as determinant factors in the investors' analyses, while also offering a potentially practical tool for assessing the opportunity of making placements in the capital of companies.

Keywords: sustainable company growth; accounting information quality; discretionary accruals; investment performance; Romanian capital market

1. Introduction

To ensure the effectiveness of placements they have made, investors underpin their decisions with ample information analysis, information specific both to the financial markets on which they are listed and especially to those associated with companies. Obtaining a satisfactory return on investment can often depend on the accurate interpretation of the financial information reported by companies.

Sustainable growth is identified as the internal growth generated by the existence of a mix of factors that generate a balance between stable growth and achieving immediate profitability [1,2]. The specialty literature extensively debates the issue of factors influencing the sustainable growth of companies [3–7], while its role in the investor's decision-making process takes a back seat.

In its turn, the quality of the published information conditions the investor's level of trust in the companies' reports, assessing the ethics used to prepare the financial statements being a determinant

factor in the decision-making process. From this perspective, many studies seek to identify the determinant factors for the quality of information [8–12], as well as the manner in which the quality of accounting data influences the operational and stock market performance of companies [13–16].

The paper aims to assess the extent to which investors' decisions, with consequences for share value and return, are influenced by the sustainable growth of companies (SGR) and the quality of reported financial information (AQ). Developed across companies listed on the regulated section of the Bucharest Stock Exchange (BSE), over the course of nine financial years, the study bridges a gap in the specialty literature. The originality is demonstrated by testing the conjugated influence of the business and assets organization strategy (SGR) and the ethics expressed by the company in the entity–investors relationship (AQ). The study may also provide a potentially practical tool for assessing the opportunity of making placements in the capital of companies.

By using the model proposed by Xu and Wang [2] for measuring SGR and assessing AQ via the magnitude of discretionary accruals (DAC), the results reveal a significant influence—both in individual relationships and in the case of the conjugated action—of the two factors on the performance of investments. However, in the context of assessing the relevance of financial information quality, the price-based model [17] reveals an insignificant influence of the magnitude of discretionary accruals on share price, associated with the situation in which the investors intend to make speculative transactions that are based, in particular, on conjunctural factors. The substantiation of long-term investment decisions includes the quality of financial information among determinant factors, testing the relevance of DAC via the returns-based model [18], reflecting a significant impact of information quality (an increase in AQ determined an increase in the return on shares).

In essence, the results of the study reveal the reaction of investors to the internal organization of the activity and the quality of financial information published by companies listed on the BSE. The recent transition of the Romanian economy to the status of emerging market is a premise for attracting international investors. The studies developed on the Romanian capital market, such as the one carried out in this paper, can be useful tools for analyzing the domestic economic environment, being relevant both for potential investors and for international researchers.

The rest of the article is organized as follows: Section 2 presents the literature review and substantiates the hypotheses. Section 3 illustrates the research design, presenting the study sample, the variables, and the data analysis methods. Section 4 includes the results that were obtained and their interpretation. Section 5 synthesizes the conclusions of the study, the limitations, as well as the future research directions.

2. Literature Review and Substantiating the Hypotheses

The success of any business is dependent on the behavior of the two main actors: investors and company. By correlating their own objectives, they can ensure an optimal process for carrying out their business, which will result in company growth while obtaining a satisfactory return on investment.

2.1. Corporate Sustainability Growth and Investment Performance

Focusing a business solely toward making a profit restricts company growth [19]. Developing operational activities justifies the very presence of a company in the socioeconomic context. Growth, however, is beneficial to the company as long as the entity can maintain its performance without being exposed to financial risks [5]. Growth that is too quick can result in financial resources being insufficient. Under these conditions, accessing them generates high costs, the burden of debts often resulting in financial losses, a drop in the market share, or even bankruptcy [1,20]. The growth of a company must be harmonized with its resources [3] to provide for a long-term development.

In this context, sustainable growth can be defined as the capacity to grow in a balanced and stable manner, achieving an evolution that will not only ensure the survival of a company, but that will ensure its competitiveness on the market [1]. Xu and Wang [2] noted that SGR is the maximum level of company growth under the conditions of using funds generated internally, without sourcing loans

from banks or other financial institutions. However, given that it is an indicator of long-term growth, companies must manage their SGR via a policy of avoiding financial constraints and matching the resources utilized to the specifics of the operating activity [7].

Given its consequential role in adopting organizational strategies and the practical applicability of the concept, SGR is widely debated in the specialty literature. A large portion of the studies prepared in this respect focus on identifying and quantifying the influence of the determinant factors of sustainable growth. To this end, using data from 390 companies listed on the Korean Stock Exchange, Xu and Wang [2] analyzed the influence of intellectual capital and its components on SGR, identifying a positive effect of human and relational capital on creating certain long-term organizational advantages.

Being an indicator that reflects the potential for internal growth, SGR is analyzed from the perspective of the manner of organizing assets, debts, and equities, particularly from the perspective of the achieved level of performance. Testing is thus done for the influence of indicators regarding the debt ratio [3], equity ratio and asset turnover ratio [5], retention rate [21], dividend payout ratio and profit margin [6], liquidity [22], arguing their roles in managing sustainable growth. In the study they conducted on listed Chinese companies, Huang and Zhang [4] noted that SGR goals are difficult to achieve when accepting a high financial risk and they recommended managers to focus on the analysis of indicators such as profitability, cash generating capacity, debt payment capacity, or financial structure optimization. The manner in which the working capital is managed indirectly influences the SGR via the profitability of the operating activity [23].

Furthermore, the sector of activity that the company operates in also has a significant impact on the SGR [24–29], and so does the company size [7], and these characteristics require adapted operational organization strategies.

Quantifying the level of SGR has generated much debate in the specialty literature. Based on the consecrated models for measuring sustainable growth proposed by Higgins [19] and Van Horne [30], models of a similar quality level and presenting the same dependence relations with the majority of the joint financial characteristics [1], many authors have tried to make these long-term company growth assessment tools more efficient. Thus, Chen et al. [31] proposed a dynamic model that would combine company growth with the payout ratio for the purpose of determining an optimal SGR level, Arora et al. [32] supported a more straightforward indicator, based on the percentage change in the book value of equity, while Manaf et al. [33] proposed a relation based on profitability, leverage, dividend, and liquidity that will allow the assessment of future business growth.

A lesser researched direction refers to the role of SGR in investors' decision-making, particularly the contribution of this indicator toward removing the uncertainties associated with the prospects of company development, which would ensure the performance of the investment made. Patel et al. [7] analyzed the impact of SGR on the return on invested capital (ROIC), identifying a significant influence of sustainable growth on the survival rate of companies in high-ROIC industries. By using the difference between real growth and SGR, Kanani et al. [34] found a significant association between it and financial risk.

In this context, it was proposed to test the following hypothesis:

Hypothesis 1 (H1). *Strategic business organization (quantified by sustainable growth rate) has a significant influence on investment performance, evaluated via the price of shares and the return on shares.*

2.2. The Role of Financial Information Quality in Substantiating the Investment Decision

Of the totality of sources that substantiate the decision-making process for investing the available resources into the capital of certain companies, the financial information published by the latter plays an essential part, which often makes the difference between investment failure and performance. The information reported by companies must fulfill a series of quality criteria, such as relevance and faithful representation.

From the perspective of the direct relation with investors, financial information must have value relevance, that is to say it has to be able to influence the investors' decisions, particularly the share price [35,36].

Users of accounting information are interested both in the current performance of companies and especially in the future [37]. Companies that report qualitative information deviate less from the proposed performance levels, thus ensuring the efficiency of the investments made [38]. The quality of accounting information improves the efficiency of investments by reducing over-investment problems [39], particularly by optimizing the process of choosing the capital investment [40].

From the point of view of the ethics applied by companies in their relations with investors, the financial information provided in their reports has to faithfully represent the economic reality, meaning that it must present in a neutral, complete, and error-free manner the transactions and events that the entity was involved in. Thus, high-quality information is not manipulated. Results manipulation refers to the actions performed by managers for the purpose of changing the reported results in order to mislead the users or to enhance the benefits generated for themselves, depending upon outcomes [41].

Earnings management arises from the game of specific interests of managers and investors. To keep investors interested, managers often sacrifice real results by manipulating them [42]. Managers aim, in this regard, to reach or exceed earnings benchmarks to strengthen the credibility of the entity on the capital market, to maintain or increase the share price, to improve the reputation of the management team, and to convey that there are growth prospects [43]. The managers' intervention can manifest via three types of actions: manipulation of discretionary accruals (accruals earnings management—AEM), manipulation of transactions (real earnings management—REM), and reclassification of structures in financial statements (classification shifting—CF) [44].

The diminished quality of financial information, derived from results' manipulation, generates a negative reaction of the financial markets [45], and investors interpret this as a signal for the presence of a high risk associated with the future performances of companies [46].

AEM manifests via modification of the accounting or assessment treatments [47] and is used to direct the results from their actual value to the desired level [48]. Accruals are elements that appear as a result of the differences between the principles of recognition of transactions and events specific to the two fundamental forms of accounting, namely, accrual accounting and cash accounting [49]. Not all of these accruals represent a possible element of manipulation. Identified by deducting non-discretionary accruals from the total accruals (generated by the strict application of accounting treatments), discretionary accruals represent a structure difficult to estimate [48]. If managers' remuneration depends on the level of financial results obtained by the company, then they can use discretionary accruals to ensure increased benefits [50]. Being quantified primarily via the magnitude of discretionary accruals (*DAC*), this type of manipulation is harder to identify because of the difficulties in isolating the managers' opportunistic actions [51].

Widely debated in the specialty literature, the subject of financial information quality assessed via the magnitude of discretionary accruals is treated extensively from the perspective of assessing *DAC* and identifying the factors influencing these. The impact of certain performance indicators is quantified to this end, using indicators such as earnings per share (EPS), book-to-market ratio (BMR) [8], leverage and company size [9,10]. Complementary to these financial indicators, an analysis is performed on the dependence of financial information quality (magnitude of *DAC*) on variables such as the quality of corporate governance [11,52], the specifics of accounting standards, or the auditor's reputation [12].

Yung and Root [53] identified, in a study developed internationally, that policy uncertainty significantly influences the level of earnings management, with the low quality of reported financial information causing a decrease in the value of companies. In the same international context, Lel [54] emphasized the positive influence of the presence of foreign institutional investors, considered more sophisticated from the perspective of monitoring companies, on the level of accrual manipulation. Thus, companies restrict their manipulative actions as the result. Drawing a parallel between the economic environment in Slovakia and Bulgaria, two former communist countries, Durana et al. [55]

noted similar behaviors of companies in both countries, in the sense of using *DAC* as a means of manipulating reported results. Focusing on companies from the Visegrad Four group member countries, Valaskova et al. [56] identified their tendency to manipulate the results, also mentioning the negative effect of this phenomenon on the level of risk associated with trade relations between different partners.

From the perspective of the initial listing on the capital market (IPO), companies tend to manipulate the results in order to attract more capital, thus limiting the return with a new issue of securities. However, listed companies in countries with a higher level of rule of law are less involved in such actions [57].

Another research direction entails the magnitude of *DAC* as a factor of influence in achieving the different types of performance. Thus, [13] did not identify a significant relation between *DAC* and the future performance (measured via return on assets—ROA) of high-growth companies listed on the Tehran Stock Exchange. However, in a large sample of American companies, Momente et al. [14] mentioned a significant negative impact of the magnitude of *DAC* on future operational performances, in the same case of high-growth companies. Papanastasopoulos [58] identified a negative link between the magnitude of accruals and future profitability, particularly stock return, in the case of non-financial companies listed on the London Stock Exchange. The negative influence of the accruals is more pronounced in the case of the companies that register losses, compared to the profitable ones.

Assessing the influence of *DAC* on the market return of shares, Pham et al. [15] noted an insignificant relation in the case of American companies, while Robin and Wu [16] identified a possible role as an indicator or signal of certain future performances, but only in the case of companies with a high degree of information asymmetry.

According to the elements identified in the literature, the following hypothesis is proposed:

Hypothesis 2 (H2). *The quality of the financial information reported by companies significantly influences investment performance, evaluated via the price of shares and the return on shares.*

3. Materials and Methods

Using a positivist approach, the study analyzes how the performance of investments made in the capital of certain entities depends on the extent to which companies ensure a sustainable growth of their business (as an expression of the strategic vision concerning the organization of business), particularly on the quality of reported information (as an expression of an ethical attitude regarding the entity–investors relation). These coordinates can be determinant factors in making efficient investment decisions that will maximize the return on the portfolio held by investors.

3.1. Sample, Data and Variables

The analyzed population was comprised of companies listed on the main market of the Bucharest Stock Exchange (BVB). The information was collected via the Datastream database, spanning a period of nine financial years (2011–2019). After eliminating the entities whose scope of activity was financial intermediation, we obtained 848 observations for the variables included in the study.

The phenomenon was studied via the variables presented in Table 1.

The performance of the investment made in the capital of a company was directly expressed via price evolution, particularly via the return on share. In order to efficiently reflect the influence of sustainable company growth and the quality of financial information on predictors (the share price and return on shares) it was necessary to take into account a time deviation between the two deterministic parameters (dependent variables and independent variables). The share price registered six months after the closing of the financial year was thus included in the study, so that the information published in the financial statements could make its effects visible in investment decisions.

Table 1. Variables used in the study.

Abbreviation	Name	Description
P	Share price	The share price registered six months after the closing of the financial year
K	Return on share	The return obtained by investors both from the price variation and from the distributed dividend [(Price for year t – Price for year t – 1) + Dividend for year t]/Price for year t – 1
SGR	Company's sustainable growth	Maximum company growth rate determined by the use of internal resources only, without accessing loaned financial resources or those from new share issues
DAC	Discretionary accruals	Absolute value of discretionary accruals, represented by the level of residual elements from applying the Jones model (1991)
IntR	Intangible Ratio	Represents the ratio of intangible assets to the total assets
QR	Quick Ratio	The liquidity ratio calculated as a total of receivables and cash and short-term investments/current debts
Size	Size	Logarithm of sales
BVsh	Book value per share	Equity/number of shares
EPS	Earnings per share	The net result allotted for each share
QualDAC	Discretionary accruals Quality	Dummy variable, taking the value of 1 if the magnitude of DAC is low (high quality of financial information) and 0 in the alternate case

The values used for the independent variables were those on the closing date of the financial year.

Starting from the statement that sustainable company growth represents the extent to which an entity can develop using its own funds, without getting loans from banks or other financial institutions, and based on the models consecrated in the specialty literature, Xu and Wang [2] proposed the following formula for calculating *SGR*, Equation (1):

$$SGR = \text{Net profit ratio} \times \text{Asset turnover ratio} \times \text{Retention rate} \times \text{Equity multiplier} \quad (1)$$

The proposed relationship integrates the informational landmarks of the models consecrated in the literature by Van Horne and Higgins. In this way, a proxy is generated for measuring *SGR* with increased efficiency, given the similar relevance of the two mentioned models [1].

The intangible assets ratio (*IntR*) illustrates the innovating capacity of the company, exerting an influence on its capacity to grow using its own means. Furthermore, ensuring a high level of liquidity measured by the quick ratio (*QR*) enables the achievement of a short-term financial balance. The financial independence thus obtained contributes to the adoption of organizational strategies under minimum financial pressure conditions. Company size can influence *SGR*, as large entities often have both the financial capacity and the expertise to make balanced growth strategies, while small entities often focus on phase-specific goals, such as gaining access to a certain market or achieving a specific level of profitability.

Financial information quality is assessed via the magnitude of discretionary accruals (*DAC*), being a residual component of the Jones' model [59], Equation (2):

$$TA_t/A_{t-1} = \beta_0 \times 1/A_{t-1} + \beta_1 \times \Delta REV_t/A_{t-1} + \beta_2 \times PPE_t/A_{t-1} + \varepsilon_t \quad (2)$$

where: TA_t represents the total accruals for the year t ; A_{t-1} is the total asset at the end of year $t - 1$; ΔREV_t reflects the turnover variance for year t compared to $t - 1$; PPE_t is the gross plant property and equipment at the end of year t ; $\beta_0, \dots, \beta_i$ are the parameters associated with the variables in the model; and ε_t is the residual component (*DAC*). Originating in the differences between the principles of cash accounting and accruals accounting [49], *TA* is calculated as follows, Equation (3):

$$TA = OI - CFO \quad (3)$$

where: *OI* is the operating income and *CFO* is cash flow from operating activities.

The influence of financial information quality on investment performance is controlled via certain variables that are specific to the models for assessing value relevance (price-based model and returns-based model). A dummy variable (*QualDAC*) was created for the in-depth analysis of the role of financial information quality. Using the quartiles of the series of data specific to the *DAC* variable, the [Q1; Q3] interval was used for a higher quality of financial information (low magnitude of *DAC*), while the extreme quartiles were used for a lower quality thereof.

The extreme values in each data series were eliminated using the method proposed by Hoaglin and Iglewicz [60], which entails replacing the outliers with the nearest value in the series.

3.2. Data Analysis Methods

The phenomenon was analyzed via correlation analysis and regression analysis with multiple variables. Thus, to assess the influence of the sustainable growth capacity of a company on investment performance, we used the model based on the relation presented in Equation (4).

$$InvPerf_{i,t} = \alpha_0 + \alpha_1 \times SGR_{i,t} + \sum \alpha_j \times Controls_{i,t} + \varepsilon_{i,t} \quad (4)$$

where *InvPerf_{i,t}* splits into two dependent variables, namely, *P* to reflect the price for one share of company *i* at the time *t*, and *K* (return on share) to reflect the benefit created from the evolution of the price and from the dividend attached to a share held by company *i* at time *t*. *SGR* (company's sustainable growth) reflects the sustainable growth ratio of a company *i* at time *t*. The control variables (*Controls*) integrate the conjugated action of *IntR* (intangible ratio), *QR* (quick ratio), and *Size* (the size) on the performance indicators. $\alpha_0 \dots \alpha_j$ are the regression coefficients attached to the independent variables included in the analysis; and $\varepsilon_{i,t}$ error (residual) component illustrates the cumulated influence of other factors that were not included in the model.

The econometric models presented in Equations (5) and (6) are proposed for testing the influence of accounting information quality on share performance. These are derivatives of the models for assessing financial information relevance, which are the Ohlson model [17] and the Easton and Harris model [18], particularly.

$$P_{i,t} = \beta_0 + \beta_1 \times DAC_{i,t} + \beta_2 \times BVsh_{i,t} + \beta_3 \times EPS_{i,t} + \varepsilon_{i,t} \quad (5)$$

where *BVsh* is the equity on share of a company *i* at time *t*; and *EPS* is the net earnings per each ordinary share achieved by a company *i* during the year *t*.

$$K_{i,t} = \theta_0 + \theta_1 \times DAC_{i,t} + \theta_2 \times \Delta EPS_{i,t}/P_{t-1} + \theta_3 \times EPS_{i,t}/P_{t-1} + \varepsilon_{i,t} \quad (6)$$

where ΔEPS is the change in earnings per share of a company *i* registered at a time *t* compared to *t* − 1; *EPS* is the net earnings per each ordinary share achieved by a company *i* during the year *t*. Both variables are denominated with the price per share specific to the company *i*, at a time *t* − 1.

To test the conjugated influence of *SGR* and *DAC* on investment performance, we used the model presented in Equation (7).

$$InvPerf_{i,t} = \varepsilon_0 + \varepsilon_1 \times SGR_{i,t} + \varepsilon_2 \times DAC_{i,t} + \sum \varepsilon_j \times Controls_{i,t} + \varepsilon_{i,t} \quad (7)$$

In order to test the sensitivity of investment performance in terms of the quality of the information prepared and published by companies, we used the test model presented in Equation (8).

$$InvPerf_{i,t} = \Omega_0 + \Omega_1 \times SGR_{i,t} + \Omega_2 \times DAC_{i,t} + \Omega_3 \times QualDAC_{i,t} + \Omega_4 \times SGR_{i,t} \times QualDAC_{i,t} + \sum \Omega_j \times Controls_{i,t} + \varepsilon_{i,t} \quad (8)$$

where $QualDAC_{i,t}$ is a dummy variable that takes the value of 1 if the financial information is of a higher quality (DAC close to the median) and 0 in the contrary case. $SGR_{i,t} \times QualDAC_{i,t}$ reflects the sustainable growth ratio of companies that register a higher level of quality of their published financial information.

4. Results and Discussions

The descriptive analysis illustrated in Table 2 helps describe the phenomenon subject to research, from the perspective of the properties of variables included in the models. Although the mean share price was of 12,158 monetary units, we noticed a wide spread of the values around the average ($P_{Std\ deviation} = 54,435$), particularly a significant concentration thereof in the lower values' area, 50% of the observations being below 0.43 monetary units ($P_{Median} = 0.430$). The companies listed on the BVB offered a high return on issued shares ($K_{mean} = 9.59\%$), under the same conditions of wide spread of values around the average ($K_{Std\ deviation} = 0.4521$), highlighting the existence of significant drivers for investors to put their available resources on the Romanian capital market.

Table 2. Descriptive statistics.

Variables	N	Mean	Median	Std. Deviation	Minimum	Maximum
P	848	12.158	0.430	54.435	0.0000	675.000
K	848	0.0959	0.000	0.4521	−0.8873	4.273
SGR	848	143.30	44.72	496.481	−678.50	1049.939
TA	848	−0.03430	−0.0168	0.1319	−1.109	1.04370
DAC	848	0.06716	0.03893	0.1103	0.00016	1.0585
EPS	848	1.036	0.0000	5.3960	0.0000	60.582
IntR	848	0.00437	0.00108	0.00629	0.0000	0.01786
BVsh	848	18.159	1.162	66.069	−75.315	722.339
QR	848	1.843	0.9500	2.042	−0.0900	7.0300
Size	848	10.981	10.902	2.135	1.10	17.08

The significant dispersion of values within the series of data was also noticed in the case of the other variables, such as SGR ($SGR_{Std\ deviation} = 496.481$), DAC ($DAC_{Std\ deviation} = 0.1103$), EPS ($EPS_{Std\ deviation} = 5.396$) or BVsh ($BVsh_{Std\ deviation} = 66.069$), thus reflecting a large diversity of growth policies and of the quality of information specific to listed Romanian companies. We also noticed a low ratio of intangible assets in the total assets ($IntR_{mean} = 0.4\%$). The analyzed companies did not make significant investments toward research and development, and this aspect was a potential limitation in achieving long-term growth goals. Liquidity ($QR_{mean} = 1.843$) indicated an enhanced capacity of companies to cover their current debts from receivables and cash and short-term investments, with a positive effect on the growth capacity thereof.

Table 3 synthesizes the values of the Pearson coefficients. This reflects the intensity of connections between independent variables, validating the possibility of using them in econometric models without the risk of collinearity relations occurring. With a maximum 5% risk, significant connections were identified between the independent variables SGR and DAC and the dependent variables K and P, thus supporting the running of subsequent analyses.

Table 4 illustrates the influence of the sustainable growth capacity of the company (SGR) on investment performance. Via the regression coefficients attached to the independent variables we can conclude that the company sustainable growth ratio, as an element reflecting the strategic vision concerning the organization of activity to enable the stable growth of the entity, influenced the investors' decisions, leading to both an increase in share price (P) and an increase in the return on share (K). This highlighted using the manner in which organizing the activity of the entity allows for its sustainable growth as a source of information in substantiating the investment decision.

Table 3. Correlation coefficient matrix.

Variables	P	K	SGR	DAC	EPS	IntR	BVsh	QR	Size
P	1	0.057	0.285 **	−0.066 *	0.904 **	0.082 *	0.898 **	0.095 **	0.093 **
K		1	0.103 **	0.022 *	0.032	−0.002	0.023	0.038	0.029
SGR			1	0.038	0.273 **	−0.043	0.273 **	0.345 **	0.026
DAC				1	−0.056	−0.102 **	−0.089 **	−0.054	−0.097 **
EPS					1	0.149 **	0.814 **	0.094 **	0.131 **
IntR						1	0.118 **	−0.143 **	0.447 **
BVsh							1	0.037	0.089 **
QR								1	−0.239 **
Size									1

Notes: ** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).
Source: own processing.

Table 4. The influence of SGR on investment performance.

Variables	P				K			
	Dependent Variables				Dependent Variables			
Constant	7.696 (0.000)	4.063 (0.070)	5.451 (0.055)	−20.74 (0.002)	6.599 (0.000)	7.162 (0.000)	7.492 (0.000)	29.37 (0.583)
SGR	0.285 (0.000)	0.289 (0.000)	0.298 (0.000)	0.230 (0.000)	0.061 (0.074)	0.058 (0.092)	0.069 (0.056)	0.053 (0.046)
IntR		0.094 (0.004)	0.091 (0.006)	0.52 (0.000)		−0.082 (0.017)	−0.086 (0.013)	−0.148 (0.000)
QR			−0.028 (0.427)	0.067 (0.067)			−0.036 (0.325)	−0.005 (0.891)
Size				0.124 (0.001)				0.146 (0.000)
N	848	848	848	848	848	848	848	848
R square	0.081	0.090	0.091	0.119	0.041	0.022	0.020	0.028
Sig F change	0.000	0.000	0.000	0.000	0.045	0.001	0.020	0.000

Note: the values of significance coefficients are presented between parentheses, with the study considering a 5% risk. Source: own processing.

Successively introducing control variables into the models helped maintain the sense of the influence and the significance of the connection. Moreover, this highlighted the direct influence of the intangible ratio, which reflects the investors' concern regarding their participation with funds in companies with growing intangible capital. Increasing the intangible assets reflected the companies' engagement in actions that ensured their adaptation to the requirement of various markets, by means of research and development, know-how acquisition, etc. Company size contributed toward increasing investment performance, as larger entities have the capacity to develop policies for organizing their activities that facilitate their sustainable growth and ensure a balance between achieving their development goals and their business cost-effectiveness goals. The quick ratio (QR) did not exercise a significant influence on the share performance indicators ($0.067 < sig < 0.891$), which goes to show that investors interpreted ensuring short-term liquidity as a conjunctural factor, irrelevant for the long-term growth of the entity.

The data synthesized in Table 5 highlight the role of the quality of the financial information reported by companies in making investment decisions. Starting from the idea consecrated in the literature that the magnitude of *DAC* reveals the level of manipulation of the reported results, we tested the influence thereof on the investment performance indicators (P and K). To this end, the financial indicators specific to the models for testing the relevance of financial information reported by companies were also introduced as control variables, as proposed in the two fundamental models in this domain, i.e., the Ohlson model [17] and the Easton and Harris model [18].

The assessment of the singular influence of *DAC* reflected the indirect connection (the negative sign of the attached regression coefficient) between the two analyzed parameters, with the increasing discretionary accruals (decreasing information quality) generating a decrease in share performance. This confirmed the investors' concern with the quality analysis of the financial information published by companies. However, when testing the influence of *DAC* together with the control variables, different results were obtained in respect of the relevance of information quality. In the price-based model by Ohlson (1995), we noted a lower contribution of *DAC* to forming the price of shares ($\beta = 0.006$) and even an insignificant one ($Sig = 0.340$). Thus, this reflected the investors' marked interest in result indicators (*BVsh* and *EPS*). These had a substantial influence on share prices ($\beta_{BVsh} = 0.482$; $\beta_{EPS} = 0.512$), and the regression coefficients were statistically significant. This situation is associated with the investors' intentions to make speculative transactions by making short-term investments. This atypical behavior, generated by the wealth of information and even by the existence of biases, can be explained by what behavioral economics literature calls investor irrationality [61,62]. According to Williams et al. [63], investors are generally assumed to be rational. Every decision associated with a choice has its benefits and costs, especially if it personally affects economic participants [64]. In the literature there are debates that the rational behavior of investors is influenced by their psychological condition [64,65], because the psychological biases differ across individuals [66]. In the returns-based model, we noted a significant influence of *DAC* on *K*, the decreasing financial information quality (increasing *DAC*) being deemed a factor that decreased the investment performance. The analyses carried out to substantiate the long-term investment decisions included the quality of financial information as one of the determinant factors.

The conjugated influence of the sustainable growth ratio of a company and the quality of reported information on share performance is illustrated in Table 6. The two indicators that are representative for the operational strategy and the ethics of communication between companies and investors exercised significant influences on performance indicators, thus validating their inclusion as determinant factors in decisions to purchase shares and to keep specific investments. An increase in *SGR* determined an increase in *P* and *K*, while a decrease in the quality of information had an unfavorable influence on investment performance. The control variables that were introduced kept their significance and influence. Thus, an increase in investments toward the intangible capital determined an increase in the rate of return achieved by investors. An increase in company size provided support for enhancing investment performance, while quick liquidity (*QR*) remained an insignificant factor for market price formation.

Table 7 reflects the sensitivity analysis carried out by splitting *DAC* into two size intervals, which differentiated between the entities in the sample function of the quality level of the financial information they reported.

Table 5. The impact of financial information quality on share performance.

Variables	P			K			Variables
	Dependent Variables			Dependent Variables			
Constant	14.344 (0.000)	−1.799 (0.073)	−0.618 (0.404)	7.131 (0.000)	7.322 (0.000)	6.668 (0.000)	Constant
DAC	−0.066 (0.050)	0.015 (0.340)	0.006 (0.0580)	−0.064 (0.061)	−0.063 (0.103)	−0.058 (0.091)	DAC
BVsh		0.899 (0.000)	0.482 (0.000)		0.111 (0.004)	0.070 (0.047)	ChEPS
EPS			0.512 (0.000)			0.103 (0.004)	EPS
N	848	848	848	848	848	848	N
R square	0.040	0.806	0.895	0.014	0.016	0.023	R square
Sig F change	0.050	0.000	0.000	0.041	0.004	0.000	Sig F change

Note: the values of significance coefficients are presented between parentheses, with the study considering a 5% risk. Source: own processing.

Table 6. The effect of the conjugated influence of *SGR* and *DAC* on investment performance.

Variables	P				K			
	Dependent Variables				Dependent Variables			
Constant	10.199 (0.000)	6.558 (0.010)	1.221 (0.529)	−3.566 (0.342)	6.966 (0.000)	7.664 (0.000)	8.075 (0.000)	11.06 (0.386)
SGR	0.288 (0.000)	0.291 (0.000)	0.254 (0.000)	0.297 (0.000)	0.064 (0.044)	0.060 (0.078)	0.074 (0.041)	0.058 (0.011)
DAC	−0.077 (0.020)	−0.068 (0.040)	−0.051 (0.128)	−0.068 (0.042)	−0.067 (0.052)	−0.076 (0.028)	−0.079 (0.022)	−0.070 (0.042)
IntR		0.088 (0.008)	0.200 (0.000)	0.065 (0.076)		−0.089 (0.009)	−0.095 (0.006)	−0.153 (0.000)
QR			0.034 (0.347)	−0.025 (0.492)			−0.043 (0.239)	−0.013 (0.735)
Size				0.042 (0.052)				0.140 (0.000)
N	848	848	848	848	848	848	848	848
R square	0.087	0.095	0.895	0.097	0.080	0.016	0.018	0.032
Sig F change	0.000	0.000	0.000	0.000	0.031	0.003	0.005	0.000

Note: the values of significance coefficients are presented between parentheses, with the study considering a 5% risk. Source: own processing.

Table 7. Share rate of return sensitivity analysis for the level of financial information quality.

Variables	P			K		
	Dependent Variables			Dependent Variables		
Constant	7.527 (0.010)	9.782 (0.000)	−0.036 (0.097)	7.297 (0.000)	6.966 (0.000)	1.313 (0.052)
SGR	0.288 (0.000)	0.200 (0.000)	0.216 (0.000)	0.063 (0.063)	0.035 (0.119)	0.031 (0.273)
DAC	−0.059 (0.047)	−0.062 (0.060)	−0.056 (0.093)	−0.078 (0.035)	−0.062 (0.073)	−0.066 (0.056)
QualDAC	0.048 (0.073)			0.031 (0.105)		
SGR × QualDAC		0.146 (0.000)	0.140 (0.001)		0.048 (0.061)	0.045 (0.091)
IntR			0.062 (0.091)			−0.154 (0.000)
QR			−0.034 (0.347)			−0.015 (0.378)
Size			0.031 (0.005)			0.136 (0.001)
N	848	848	848	848	848	848
R square	0.089	0.101	0.109	0.090	0.010	0.034
Sig F change	0.000	0.000	0.000	0.045	0.042	0.000

Note: the values of significance coefficients are presented between parentheses, with the study considering a 5% risk. Source: own processing.

The same dependence relations were highlighted between financial information quality and investment performance. An increase in *DAC* (decrease in quality) determined a decrease in price and return on shares, particularly. The relation was also validated by introducing the dummy variable *QualDAC* into the model, in the cases of companies with a higher quality of information (low *DAC* level) the share performance indicators were higher than in the cases where companies reported information of a poorer quality ($\Omega_{QualDACP} = 0.048$; $\Omega_{QualDACK} = 0.031$).

Sustainable growth in the case of companies with a higher level of information quality had a stronger influence on share performance indicators compared to when the quality of published

information was poorer. The sense of the influences and the significance of the connections associated with the control variables also remained similar to previous relations in these econometric models, which conferred validity to the conclusions resulting from the analysis.

5. Conclusions

Of all the information used to analyze opportunities for investment in company capitals, reported financial information is a determinant element. However, aside from the multitude of indicators that characterize the running of current activities, investors have to assess the (long-term) stable development capacity of the company, as well as the quality of the information they use to substantiate their decisions.

The paper analyzed the influence exerted on share performance by the sustainable company growth, an element attesting to the efficiency of the activity organization strategy, as well as to the quality of reported financial information as a reflection of the ethics assumed in the relation with investors.

The results obtained validate the proposed hypotheses. Thus, using the regression analysis we identified the significant influence of *SGR* on share price and return on share, particularly, as indicators of investment performance. Using the internal growth indicator as an information resource to substantiate the investment decision was also validated by successively introducing certain control variables into the model. Both the intangible ratio and the company size were variables with a significant impact in terms of increasing share performance. Increasing the intangible assets reflected the companies' engagement in actions that ensure their adaptation to the requirements of various markets, while company size confirmed the capacity to develop policies for organizing their activities that would facilitate their sustainable growth. It was only the quick ratio (*QR*) that was deemed irrelevant by investors, who looked at liquidity as a conjunctural factor, irrelevant for the long-term growth of the entity.

The quality of financial information, assessed via the magnitude of discretionary accruals (*DAC*), contributes toward making investment decisions, as increasing the *DAC* (reducing the quality of information) determined a decrease in share performance. When introducing the *DAC* into the consecrated models for testing value relevance, a significant influence of information quality was ascertained solely on the return on shares (the Easton and Harris model, 1991). This confirmed the inclusion of the quality of published information among the determinant factors within the analyses carried out to substantiate long-term investment decisions. Market price formation (the Ohlson model, 1995) was particularly influenced by current performance indicators (*BVsh* and *EPS*), while the quality of information took the back seat. The results were thus associated with the investors' intentions to make speculative transactions, taking advantage of momentary opportunities, without deeply analyzing the quality of financial information reported by companies. In this regard, the behavioral economics literature suggests that investors do not behave with perfect rationality and that they may react inappropriately to information due to the fact that they are subject to many biases [61]. This irrationality of investors can be considered one of the causes of financial crises [62]. The reasons why investors end up behaving irrationally are various. On the one hand, the large amount of information can generate difficulties and lead to wrong decisions, but especially the way it is presented can have a significant influence on decisions [67].

The conjugated action of *SGR* and *DAC* confirmed the opportunity of including them as important factors in the decision-making process for making investments in the capital of companies. Thus, an improvement in the activity organization strategy (*SGR* increase), as well as a boost to the level of information quality (decrease in *DAC*) determined an increase in investment performance (*K* and *P*). Furthermore, the control variables that were introduced maintained their significance and influence. An increase in investments toward the intangible capital and an increase in company size determined an increase in the rate of return achieved by investors, while quick liquidity (*QR*) remained an insignificant factor for market price formation.

The analyzed relations were validated by introducing a dummy variable regarding the level of quality of the financial information and by using the sensitivity analysis associated with the influence on the SGR function of the magnitude of DAC. In the cases of companies with a higher quality of information (low DAC level) the share performance indicators were higher than in the cases where companies reported information of a poorer quality. Furthermore, the sustainable growth registered by these companies had a stronger influence on share performance indicators compared to instances where the quality of published information was poorer.

The limitations of this study are the reduced sample size, the focus on a single capital market, the use of a single SGR measurement model, as well as the lack of company characteristics such as: field of activity or its age. Future research directions should seek to remove these restrictions and to conduct comparative analyses by employing other models for assessing sustainable growth and the quality of financial information reported by companies. Also, information specific to companies listed on the main European emerging markets, structured by fields of activity, particularly their life cycles, should be involved.

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