

SUMMARY

UNIVERSITY OF CRAIOVA FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION

SUMMARY of the PhD paper entitled “TRENDS AND PERSPECTIVES ON THE EVOLUTION OF THE CAPITAL MARKET ”

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C. ARGUMENTATION OF THE CHOSEN TOPIC

In order to achieve the main aim of this scientific research, among many other arguments advocating for the systematic study of the capital market, we consider the following ones to be of paramount importance:

- the first argument: the capital market is the most important component of the financial market, and it is also an essential component of the economic and financial activity;
- the second argument: the capital market is the place comprising all the financial resources of public or private companies as well as the population's cash flow;

- the third argument: placing on the capital market the capital owned by the economic agents or people, generally, at a certain time, gives (usually) an output greater than the conventional investment variant, bank deposit, respectively;

- the fourth argument: the importance of the capital market topic, in all representative economic thinking currents.

To reach the aim of research, several objectives should be pinpointed, as follows:

- presenting the two concepts that address financial market structure;

- determining the contribution of the financial market and the capital market to the real economy;

- presenting the processes and economic concepts that have contributed to the developments of the financial markets, while highlighting the "efficient market hypothesis" and the research undertaken in the works of those who started to learn about modern scientific finance;

- analysing the impact of deregulation and globalisation on the evolution of the financial market, while detailing the benefits, as well as the negative aspects of the its development;

- studying causes that led to the possible spread of the current global financial crisis; suggesting a set of measures in order to avoid future financial crisis;

- highlighting new trends in investment flows within the capital market considering the context related to the current global financial crisis;

- analysing of the most important concepts and models related to the management of financial assets and the study of their applicability within the framework of the capital market;

- identifying and assessing the risks of financing through the stock market and highlighting the management of the features of the financial asset portfolios on the national market of capital;

- testing the market model and the model for the selection of securities fund portfolios (Capital Asset Pricing Model - C. A. P. M.), on the securities market, in Romania;

- the analysis of the most significant aspects of development of the stock exchange of the Central and Eastern Europe, including the stock exchange market in Romania, on the basis of the measures that were taken to resume work in the early 1990s. Subsequently, in this the research study, I will try to identify the general trends in the development of the capital market at the level of the Member States of the European Union, and in particular of the Central and Eastern Europe States, highlighting the recovery of their activities after the financial crisis in 2008. In practice, it has been important to make an 'X-ray' of the capital markets of Central and Eastern Europe, aiming at capturing the history, structure, evolution and trends of the main stock indicators, both before and after the financial monetary crisis, on economic grounds in general, and the stock market;

- empirical examination of the most important aspects of the progress of the capital market in Romania, by presenting the stock exchange dynamics in Romania, both before 1989, but particularly after the revolution that took place in December 1989, when the bases of the capital market were set up, after a period of almost 50 years of non-existence on the stock market.

D. SYNTHESIS OF THE PhD THESIS CHAPTERS

In the first chapter of the thesis, entitled "*Conceptual doctrines of the financial markets*", we have presented, in the beginning, a few preliminary considerations on the evolution of financial market, after which we move on with capturing the impact of deregulation and the phenomenon of globalization on its development. Thus, in this section, we have presented the phenomenon of globalization history from the point of view of the causes that generated the current crisis. Considering the crises that have affected the financial market developments in the course of time, this analysis also refers to a brief history of the economic and financial crisis, detailing the causes which contributed to the financial crisis start in 2008. Taking into account this background, we have come up with a series of measures necessary to be taken to avoid future such phenomena with disastrous impact on world economies. An important attention is paid to the capital market. In this respect, we have underlined the role and importance of this component in the financial market in modern economies. In addition, all within the framework of the first section, we presented distinctive features of the two major segments of the capital market, such as the primary and the secondary capital markets. The chapter ends up describing the features of the financial instruments traded on the capital market, namely primary securities (shares, bonds and government securities) and derivative financial instruments.

The second chapter, entitled "*Fundamenting the investment decision in the capital market*", presents the most important theories and models of management of the financial assets portfolio. This chapter, in the context of doctoral thesis, is grounded on the specific activity performed on the capital market affects, which aims at attracting financial resources for financing various activities of public or private companies, and placing savings in optimum conditions of profitability and risk.

Consequently, in this second chapter, we have presented concepts of profitability and risk of financial instruments, and we have underlined the contributions of the economic-financial theories to fundamenting the investment decision on the capital market; we have studied thoroughly all the existing economic research in the field of theory of portfolio. We have exposed strategies of investment portfolio management and have described the most important models in the management of financial assets, such as the model of the market, Markowitz model, the Capital Asset Pricing model (C. A. P.M.) and Arbitrage Price theory (A.P.T.), as well. Thus, in the second chapter, we have referred to all the aspects of the investment activities on the capital market, going on with the presentation of the theories and models of financial asset portfolio management and, eventually, we have concluded with the description of the most important models. We have chosen to have a bidirectional approach of the concept of investment, pinpointing the concepts of risk and profitability from the point of view of the investor's in charge with traded financial instruments in the capital market.

At the end of this second chapter of the thesis, we have analysed the capital market in Romania on the following directions: by testing a market model of the profitability and the risk of securities, the Markowitz model of diversification of the financial asset portfolio and of C. A. P.M. model, considering several shares listed on the Bucharest Stock Exchange.

In the third chapter of this paper, entitled '*Research study on the evolution of the stock exchange of Central and Eastern Europe*,' we have focused on the capital markets of

the former European countries with a centralized economy. In this respect, the chapter begins with a brief statement on the European financial systems as compared to North American ones and continues with reviewing the characteristics of stock exchanges in Central and Eastern Europe. We have also carried out a comparative analysis of the degree of development of the capital market in several European countries (Hungary, Slovenia, the Czech Republic, Austria, Poland and Bulgaria), during 2004-2012. We chose this period, due to the possibility to split it into two sub-periods: *before* 2008 and *after* 2008.

In the first sub-period, developments followed an upwards trend, the stock exchange indicators recording historical maximum in each market analysis, and, as for the second sub-period characterised, we remarked generalized decline or partial recovery. This chapter captures the developments of the capital market in the central and eastern Europe, between 2004-2012, on the basis of the information provided by relevant European and world stock exchange, as well as European Federation of Stock Exchanges (EFSE), World Federation of Stock Exchanges (WFE), as well as the stock exchange centres analysed on their own sites, such as www.world-exchanges.org, www.ljse.si, www.wienerborse.at, www.bse-sofia.bg.

In the fourth chapter, entitled “*Evolution of the capital market in Romania*”, we have described and analysed the capital market in Romania, at the beginning of the transition to competitive economy capitalist so far. In this final chapter, we have examined the development of the domestic capital market related to the existence of a market economy and private property in our country. Thus, the analysis of the capital market in our country has as a starting point the context in which the capital market has occurred since 1989. Along this line of thought, in the first part of the chapter we have made a brief but complete X-Ray of the capital market in Romania at the moment its start in 1995, up to the end of 2012. In this respect, we have considered the main aspects that characterise domestic stock market, with emphasis on the major developments, i.e. market capitalization, domestic stock exchange indices, traded securities and the situation of resident and non-resident inhabitants. But we have also captured the most important moments that marked the changes in our domestic capital market.

We have made this final chapter for the purpose of describing, by the means of the synthesis of activities carried out on the capital market in our country, both the performances the main problems encountered since the reform, emphasising the positive events that have contributed to its development, but also the kickbacks that have blocked the development and efficient operation.

This research study ends with a series of final conclusions in summary form followed by a few topics for reflection. We have also made a series of suggestions which are intended to improve the current situation on the capital market in Romania.