THE PERFORMANCE OF ECONOMIC ENTITIES IN PERSPECTIVE INCREASING THE EFFICIENCY OF FINANCIAL COMMUNICATION

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Abstract: : Recent technical breakthroughs, monetization of data and availability of data services, and changes in the way information is consumed have impacted the information industry. These developments have the potential to have a significant influence on the credibility of official statistics as a source of information for society. We believe it is essential to provide useful financial and non-financial information to stakeholders in government, business and society as a whole. Unexpected events continue to remind us that external factors can upset even the most carefully laid plans. As a result, the need to achieve financial communication through the lens of national and international standards in the field of communication proves to be an ally in the strategies developed by economic entities.

JEL classification: A11, F64, Q56

Key words: financial communication; performance; transparency; information; economic entities

1. INTRODUCTION

At the basis of effective functioning, it is not enough for an entity to communicate internally, but also to address professional and control bodies. Thus, transparency is an ally in the process of increasing the efficiency and trust offered by financial communication. The main argument in support of statistics being considered a public good is that they provide all citizens with objective, empirically sound reasoning that can be used to make sound decisions. Salvioni D.M. (2002) believes that financial communication "can be an intangible asset of primary importance for corporate development."

2. OBJECTIVES

For the financial communication process to be effective, visibility and readability must be improved in order to reach the analyst and investor community. Economic entities must first recognize that launching an instrument on a financial market results in a true change of status.

Business entities and investors must make a consistent connection between the many phases and cycles that could define the existence of a publicly traded entity. To provide transparency for analysts and investors, financial communication must be maintained at all times in the market, especially when disputes arise. Because analysts and investors are experts in a variety of investment strategies and therefore occupations, it can be difficult to set their expectations in practice. Assessing strategy, business models and related risks is the common denominator.

3. METHODOLOGY

The research methodology is based on a predominantly deductive approach, starting with the role of financial communication in investment decision as presented in the foreign literature and in Romania and moving on to the selection and synthesis of available information on the field under study, likely allowing for documented opinions and conclusions.

4. ANALYSES

The market operates on the basis of information, which is at its core. Any organization's management is defined by at least three core functions: thinking, decision-making, and communication (Avram, 2017). The ability to accurately describe a company's ability to create value is a key component of success in the economic and financial communication function, which helps improve the interaction between the firm and the financial system.

It is essential that the information is understood when communicating financial statistics such as cash flow or turnover. As a result, the range of economic activity reveals how an economic entity has changed over time, including internal or external growth, the effects of a new contract, a break in operations, changes in legislation, etc. To determine these aspects' real relevance, analysts and investors evaluate them. As a result, a more detailed explanation of cash flows is beneficial for assessing corporate success.

It is necessary to describe certain analyst and investor expectations or areas of interest in addition to the basics illustrated in Figure 1. Each financial communication should address both positive and negative aspects of the entity's performance, progress and future prospects, to protect shareholders from being misled by the absence of key or additional information. It is noted that accuracy is among the important principles of financial information, which is natural given that accuracy also serves to improve the quality of information. .

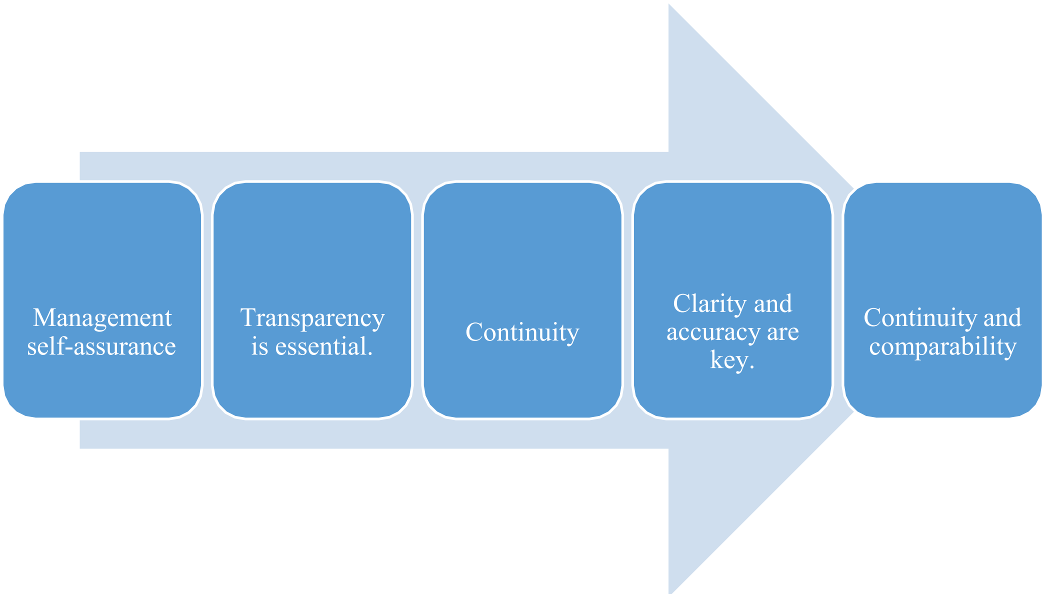

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Figure no. 1 Information quality characteristics

4.1 Critical

We can add more evaluation factors after analyzing the technical specifications and budget situation. These are qualitative and may appear as honors, lists or surveys conducted by specialist journals. For example, the Bucharest Stock Exchange examined the quality, completeness and accuracy of the information provided to investors by issuers listed on the BVB Main Market and, as a result, the White Paper on the Communication of Listed Companies was published. Financial communication could also involve shareholder letters. The process of substantiating and disseminating the decisions taken by the management structures to direct present and future operations of the company uses the annual financial statements as a key tool (Avram et al., 2017)

Transparency and durability of information, in my opinion, are the key elements of effective communication. These features were created with the express purpose of promoting the transparency and longevity of the law following the significant financial scandals of the past ten years.

The importance of these economic-financial indicators lies in creating a trend as well as, perhaps more importantly, in the ability to contrast the firm under investigation with other businesses involved in related industries. However, there are financial indicators that could indicate the likelihood of future bankruptcy (insolvency).

Working efficiently with a large volume of data is possible thanks to economic and financial indicators. The economic and financial variables that I consider most important for financial communication are presented in Figure 2.

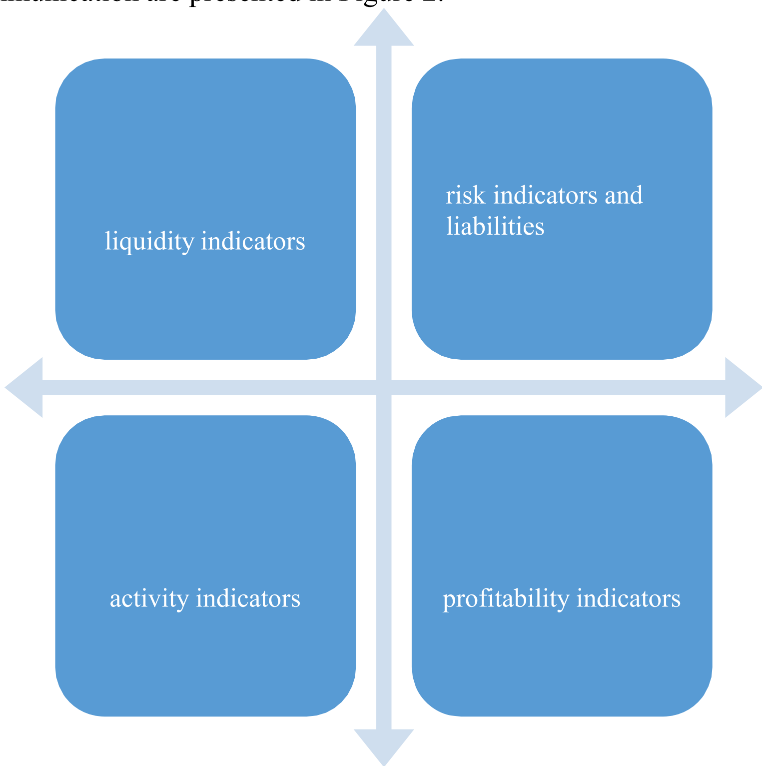

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Figure no. 2 The main economic and financial indicators

Ignat et al. (2020) consider that "organizations with substantial financial and material resources and rigorous financial management have an increased chance of survival and development."

5. CONCLUSIONS

Based on the differences in the maturity of economic entities, the financial and non-financial communication of companies remains a difficult problem to solve. If information is abundant and standardized, there may be subsequent discrepancies between the expectations of investors and analysts and the facts provided by corporations. In our opinion, we consider that, regardless of the size of the economic entity, the financial and non-financial communication of companies is a subject closely related to visibility and trust in the market.

In a highly competitive market, the economic entity must perform at all levels, including customer service, supplier service, employee service, shareholder service, competition service, state service and resource management (raw materials, securities portfolios, resources human). Communication has become one of the most significant components in the success of the activity of any economic entity; it is the main tool for communicating objectives and economic results to various partners in this context.

Consistency, in our view, is essential to developing and maintaining investor confidence, and it is better to favor a smaller volume of information provided on a solid foundation built over time. Business entities must also be aware of the importance of establishing and maintaining a reputation. The ability to maintain objectives while being credible, maintaining market commitments and having a clear and strong voice are undoubtedly the elements of good communication.

The quality of accounting information is more than a simple support for managers' decisions; it can also be emphasized by the interaction between the departments of an economic organization, especially the level of collaboration and cooperation in order to implement the objectives and plans of the entity. The quality of the information is evaluated using three variables: technical aspects, analysis of the financial picture of the economic entity and other qualitative factors.

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