

FIRMS' FINANCIAL PERFORMANCE AND INVESTMENT: A PANEL DATA ANALYSIS APPLIED TO WINE INDUSTRY FROM CEE COUNTRIES

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Abstract:

The Central and Eastern European (CEE) wine industry is reduced as compared to that of the largest European Union (EU) producers such as Italy, France or Spain, but it has a high development potential. Countries like Romania and Hungary are nowadays well placed in the EU ranking in terms of wine production. However, after the outburst of the recent economic crisis, the level of wine production has considerably fluctuated in the CEE countries, and the same happened with the investment in this industry. We may think that the poor financial management performances of these firms have triggered these fluctuations. Against this background, the present paper attempts to investigate the impact of companies' financial performances, assessed through capitalization, liquidity and profitability, on their investment dynamics. Applying a panel data analysis for 106 firms, over the time-span 2007 to 2014, and using AMADEUS statistics for the selected CEE countries, we show that the level of capitalization negatively influences the wine industry investment, although this result lacks in robustness. Moreover, the profitability has a positive influence on investment, while the level of liquidity has no significant influence. Our findings may be explained by the fact that in post-crisis periods, firms are tempted to increase their capitalization ratio in order to prevent the manifestation of financial risks.

Keywords: firm investment, wine industry, capitalization, liquidity, profitability, CEE countries.