

TRANSREGIONAL PERSPECTIVES ON FINANCIAL PERFORMANCE AND RISK: A STUDY OF THE INDUSTRIAL MACHINERY AND EQUIPMENT SECTOR IN ROMANIA AND EUROPE

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Abstract

The paper focuses on the connection between financial results and corporate risk in the European Industrial Machinery & Equipment industry during the period 2020-2024. The analysis will be conducted using the Refinitiv Eikon database, taking into consideration a representative sample of industrial corporations from Eastern, Northern, Southern, and Western Europe, with special attention paid to the Romanian market. The study examined the relationship between the financial performance ratios (ROA, ROE, and EBITDA Margin) and the key financial risk ratios (liquidity ratios, Financial Leverage Ratio, and Z-score) to establish the association between profitability and financial risk. The empirical study utilized descriptive statistics and correlation coefficients.

The results highlight a significant difference in performance dynamics among regions, with better recovery patterns for Southern and Western Europe and more volatility for Northern Europe following the pandemic. A significant volatility level is shown for Romania, along with a trend of enhancement of financial stability beginning from 2021. The Z-score has a positive correlation with performance, and a weak negative correlation is shown for liquidity ratios with profitability, thereby confirming the liquidity-profitability trade-off hypothesis. Concluding, this analysis finds that financial performance in the industrial sector in Europe is more closely tied to financial stability than to either liquidity or leverage. These findings are important to understand in terms of financial risk and performance management in emerging markets in Europe.

Keywords

financial performance, risk management, industrial sector, Z-score, ROA, ROE, EBITDA margin, European regions, Refinitiv Eikon, Pearson correlation.

JEL Classification

G32, G33, P51

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