

The Impact of the Global Financial Crisis on the Performance of Czech Industrial Enterprises

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Abstract : The global financial crisis that erupted in 2008 is associated mainly with the debt crisis. It quickly spread globally through financial markets, international banks and trade links, and affected many economic sectors. Measured by the index of the year-on-year change in GDP and industrial production, the consequences of the global financial crisis manifested themselves with some delay also in the Czech economy. This can be considered a result of the overwhelming export orientation of Czech industrial enterprises. These events offer an important opportunity to study how financial and macroeconomic instability affects corporate performance. Corporate performance factors have long been given considerable attention. It is therefore reasonable to ask whether the findings published in the past are also valid in the times of economic instability and subsequent recession. The decisive factor in effective corporate performance measurement is the existence of an appropriate system of indicators that are able to assess progress in achieving corporate goals. Performance measures may be based on non-financial as well as on financial information. In this paper, financial indicators are used in combination with other characteristics, such as the firm size and ownership structure. Financial performance is evaluated based on traditional performance indicators, namely, return on equity and return on assets, supplemented with indebtedness and current liquidity indices. As investments are a very important factor in corporate performance, their trends and importance were also investigated by looking at the ratio of investments to previous year's sales and the rate of reinvested earnings. In addition to traditional financial performance indicators, the Economic Value Added was also used. Data used in the research were obtained from a questionnaire survey administered in industrial enterprises in the Czech Republic and from AMADEUS (Analyse Major Database from European Sources), from which accounting data of companies were obtained. Respondents were members of the companies' senior management. Research results unequivocally confirmed that corporate performance dropped significantly in the 2010-2012 period, which can be considered a result of the global financial crisis and a subsequent economic recession. It was reflected mainly in the decreasing values of profitability indicators and the Economic Value Added. Although the total year-on-year indebtedness declined, intercompany indebtedness increased. This can be considered a result of impeded access of companies to bank loans due to the credit crunch. Comparison of the results obtained with the conclusions of previous research on a similar topic showed that the assumption that firms under foreign control achieved higher performance during the period investigated was not confirmed.

Keywords : corporate performance, foreign control, intercompany indebtedness, ratio of investment

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