

Determinants of Performance and Risk in Tourism Industry: An Empirical Investigation on 30 Companies across 31 Fiscal Years

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Abstract

Tourism is a dynamic, innovative and comprehensive industry that contributes significantly to national economies around the world. This research study draws on financial data retrieved from 30 companies listed on the stock exchanges from Frankfurt, London, New York and Paris and operating in the tourism industry during the period 1991–2021. The aim was to determine the factors that drove financial performance and financial risk captured by relevant indicators such as: return on assets; return on equity; gross margin; capital expenditure ratio; Altman Z-score. The methodological approach included panel data modelling with ordinary least squares and cross-section fixed-effects, along with correlation analysis. Results indicated that company financial performance was positively influenced by asset turnover ratio and equity ratio. At the same time, bankruptcy risk was lower across the years due to solid financial liquidity (both current and quick) and increased asset turnover ratio. Policy implications and future research directions are also addressed.

Keywords: financial performance, risk modelling, liquidity, financial structure, tourism industry