

## **Assessing Financial Distress in Emerging Markets: An Industry-Level Study from Albania**

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### **Abstract**

This research investigates financial health of 18 financial industries in Albania between 2011 and 2014. The authors have built a dataset of 12 financial ratios, averaging the profitability, liquidity, efficiency and leverage ratio groups of 200 non-financial firms with highest revenues reported in 2014, according to the Albanian National Business Register. We compute the ratios for 4 consecutive years, grouping the companies into industries and tracking industry performance financial health. We rank the top and worst industry performers per ratio group and per year. We compare the financial health of industries at the beginning of the observation period (2011) and at the end of the observation period).

This study classifies the companies into financially distressed and non-financially distressed, following the methodology of Dhamo (2019). The authors average the financial ratios of these two groups, and observe the most impactful differences that discriminate between financially distressed and non-distressed firms.

The empirical results of this research confirm that drilling is the industry with highest financial health, while health care is the worst performing industry over the period 2011-2014, based on the metric and data used. Furthermore, the authors observe that financial health industries such as e-commerce, electricity trade and hydropower have improved over time, based on the observation period. According to this study, liquidity, leverage and efficiency ratios discriminate well between distressed and non-distressed firms, while profitability indicators show limited differences between the two groups.

**Keywords:** Industry Analysis, Financial Ratios, Financial Distress, Emerging Markets