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Determinants of financial performance: the case of companies from the former Yugoslavia region

Детерминанте финансијских перформанси: случај компанија држава бивше Југославије

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Abstract Purpose: Profitability is one of the most critical performance indicators of a company and at the same time a very important indicator of importance to the rest of the key business indicators. The aim of this study is to examine the effects of key indicators on the level of profitability of selected companies.
Methodology: The study uses fixed and random effects models as well as a generalized least squares model to analyze panel data of 78 companies from various sectors of the economy, listed on the stock exchanges of former Yugoslavia. The empirical analysis covers the period from 2006 to 2022 and includes indicators of capital structure, liquidity, activity, size, and age of companies.
Findings: The main results indicate a statistically significant effect of indicators of capital structure and activity, while indicators of age and size also displayed significant effects.
Originality/value: The results help enrich the existing literature and refine the knowledge of financial managers in the region for a better understanding of the effects of specific indicators on company performance.
Practical implications – The results can be used by financial managers when constructing the financial mix of the company.
Limitations: The main limitations are the use of only microeconomic indicators in relation to the use of macroeconomic indicators, as well as the analysis of only the ex-Yu region.

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Keywords: Profitability, capital structure, panel data, Yugoslavian region

JEL classification: C23, G32

Сажетак

Профитабилност представља један од најбитнијих индикатора перформанси једне компаније и уједно веома битан индикатор од значаја на остатак кључних показатеља пословања. Циљ ове студије јесте испитивање ефеката кључних показатеља на ниво профитаиблности одабраних компанија. Студија упошљава моделе фиксних и случајних ефеката као и генерализовани модел најмањих квадрата ради анализе панел података 78 компанија из разних сектора привреде, листираних на берзама земаља бивше Југославије. Емпиријска анализа обухвата период од 2006. до 2022. године и обухвата показатеље структуре капитала, ликвидности, активности, величине и старости компанија. Главни резултати упућују на статистички значајан ефекат показатеља структуре капитала и активности док су показатељи старости и величине такође показали значајане ефекте. Резултати помажу у обогаћивању постојеће литературе као и оплемењивању знања финансијских менаџера у региону ради бољег разумевања ефеката специфичних показатеља на перформансе компанија. Главна ограничења представљају употреба само микроекономских показатеља у односу на употребу макроекономских показатеља као и анализа само ex-Yu региона.

Кључне речи: Профитабилност, структура капитала, панел подаци, Југословенски регион
ЈЕЛ класификација: C23, G32

Introduction

Financial indicators of a company's profitability represent very important information for its stakeholders. Increased profitability represents the starting point of successful performance of companies and entails the improvement of other business indicators depending on the efficiency of management and the financial policy of companies when distributing the achieved results. Given the evident effect of company's profitability on the improvement of other business segments, it is important to understand the effects of those indicators on the future profitability of companies, which is the goal of this study. Profitability refers to a company's capacity to create profit. Each economic entity aims to generate profit by adding value. Optimizing capital structure, company governance, and equity ownership can significantly improve performance (Georgakopoulos et. al., 2022). According to Blinch et al. (2011), a high rate of return allows for internal company capital to cover most funding demands. High profitability indicates favorable corporate prospects, which attract investors and lead to a growth in firm value. Increased earnings imply a company's successful performance (Husna & Satria, 2019). Profitability ratios assess how well a company's management generates profits from sales, total assets, and, most crucially, investors' investments. Profitability ratios are important for those who prioritize a company's long-term survival (Batchimeg, 2017). Investors value the return on their capital, and a successful company may provide significant long-term profits. Financial profitability benefits employees, improves product quality, and promotes environmentally sustainable manufacturing, more profits lead to more investment, job creation, and income growth overall (Mirza & Javed, 2013). A company's sustainability depends on its profitability.

Companies with low or fluctuating profitability raise concerns about their long-term viability. Profitability usually must be assessed with other criteria. The company's performance is impacted by internal and external variables, including incentives and restraints, as well as industry-specific conditions (Klapalová, 2015). Profitability indicators are closely monitored by managers, shareholders, investors, creditors, rivals, business partners, and other stakeholders to evaluate the company's performance and potential for growth (Wieczorek-Kosmala, Błach, & Gorzeń-Mitka, 2021). The profitability combined with other business indicators determines a company's creditworthiness assessment by banks and impacts banks' willingness to extend credit to a company, that is important for realization of future business plans and investments. Therefore, higher current profitability fosters future company's growth and profitability (Živković et al., 2023).

Most studies on the topic of company's performance relied on the structure-conduct-performance paradigm from industrial organization economics. This study followed a similar approach to research traditions that emphasize micro-level factors as predictors of company's profitability, which is a key dimension of performance. The managerial/entrepreneurial research tradition focuses on the company as the unit of analysis, whereas the economic research tradition focuses on the industry as the unit of analysis and explains profitability primarily through indirect structural factors (Pattitoni et al., 2014). Rizqia et al. (2013) suggested that a company's capacity to raise earnings while maintaining stability is a favorable indicator of its worth to investors. Company's increasing earnings indicate strong performance and attract investors to invest their funds.

This study consists of three main parts. The first part includes the theoretical aspect of the study, in which a review of the existing literature in the field of determinants of performance companies, analysis of the main findings in the field as well as setting of the main hypotheses of this research were carried out. The second part includes the methodology of the study, where an overview of the main variables used, an overview of data analysis methods, as well as the execution of the main model of the study are performed. The third and final part includes presenting the main results of the study and conducting an analysis of the results with previous findings from this area.

1. Theoretical background

An extensive literature supports research related to company performance indicators, and this section of the study will review the findings of studies related to this topic. A study by Stierwald (2010) pointed to the significance of firm-level characteristics and, to a smaller extent, the influence of sector characteristics. Vătavu (2014), in his study investigating companies listed on the Bucharest Stock Exchange, indicated the presence of a significant effect of determinants such as capital structure, tangibility of assets, company size, and liquidity level. A higher level of asset tangibility, debt, and liquidity indicated a negative effect on companies' returns, while an increase in company size indicated a positive effect, which confirmed similar findings (Onaolapo & Kajola, 2010). Contrary to the previous finding, a study conducted by Ebaid (2009) indicated a very weak, even non-existent relationship and effect of capital structure on the profitability of Egyptian non-financial

companies. A study by Batchimeg, (2017), researching Mongolian companies, found a presence of a negative influence of determinants such as short-term debt and cost to revenue, while earnings-per-share, return to costs, and growth in sales ratio presented a positive influence.

The study on listed firms in the United Kingdom discovered that while companies with more physical assets utilize a lot more debt in their capital structure, profitability dramatically lowers leverage. Leverage was positively impacted by firm size and non-debt tax shield in a statistically insignificant way. Although not by much, using more unique items lowers the amount of external debt. Age, growth, and capital spending had no discernible effects (Rahman, Hossain & Sen, 2024). A study by Mirza & Javed (2013) confirmed the existence of a negative relationship between profitability and both short-term and long-term debt. The same study confirmed a positive effect of size on the performance of companies listed on the Pakistani stock exchange. The study by Choi, Sauka & Lee (2024) revealed that in periods of economic stability, the capital structure decisions of a corporation are more impacted by internal variables such as profitability. Nonetheless, it was shown that external macroeconomic market circumstances often have a bigger influence on these choices during times of economic downturn.

Researching a particular sector of industry, the study by Pjanić, Đaković & Kalaš (2023) found a negative influence of profitability on the capital structure of Serbian agricultural companies. The study by Ehiedu, & Priscilla (2022), investigating the Nigerian gas industry, showed that liquidity and leverage had a positive and significant influence on the profitability of companies. The influence of leverage was also confirmed by Thi Bui & Nguyen (2021) that investigated oil and gas companies from Vietnam. The US automotive industry study by Dsouza, Kayani & Nasseredine (2024) found that while sales growth, firm size, and the tangibility ratio had no discernible effects on any of the debt variables that represented capital structure, a company's profitability had a negative and significant impact on both the total debt ratio and short-term debt. The study by Tica, Đorđević & Saković (2023), covering the period of the pandemic and researching Bosnian companies from the manufacturing sector, revealed a negative but statistically significant influence of capital and asset structure on profitability. Dencic-Mihajlov, K. (2014), in her study investigating companies from the Serbian capital market, revealed a positive influence of both company size and liquidity on the profitability of companies. Researching the capital market of Croatia, Pervan, Pervan & Todoric (2012) found positive effects of age, size, and liquidity on the profitability of companies. Researching the hospitality sector in India, Soni, Arora, & Le (2022) revealed positive effects of indicators like liquidity, age, and net asset turnover on the profitability of companies, while size and solvency demonstrated negative effects. The results of the study by Agiomirgianakis, Voulgaris & Papadogonas (2006) showed the impact of the size, age, exports, capital structure, and profitability of the company on the growth and development of the company itself. The findings also indicated a significant relationship between age, size, exports, debt dependence, and profitability of Greek manufacturing companies.

The findings of these studies, as well as the nature of this study, point to the creation of the following hypotheses:

Hypothesis 1*: Short-term debt has a significant negative effect on companies' performance.*

Hypothesis 2*: Long-term debt has a significant negative effect on companies' performance.*

Hypothesis 3*: Company size has a significant positive effect on a company's performance.*

Hypothesis 4*: Company age has a significant positive effect on company's performance.*

Hypothesis 5: *Liquidity has a significant positive effect on company's performance*

Hypothesis 6*: Tangibility has a significant positive effect on company's performance.*

The study by Submitter et al. (2020) on Indonesian stock exchange businesses found a favorable correlation between firm value and factors such as growth, profitability, liquidity, tangible assets, audit committee, board size, and firm size. These findings demonstrated the importance of profitability in determining the total worth of the organization. A similar study, also researching Indonesian companies found a positive influence of profitability on company value overall (Indriyani, 2017). These studies are presented to illustrate the multitude of relationships affected by the profitability of one company. The studies (Markonah, Salim & Franciska, 2020; Igbinovia, & Ogbeide, 2019) also confirmed the presence of a positive influence of profitability on the overall value of the company, whereas the findings by Šepa, et al. (2024) showed a negative effect. Another study related to Indonesian listed companies found that macroeconomic factors had a more significant effect on company's profitability than microeconomic factors. The level of inflation and the level of capital market development in the country showed a negative effect on company profits, while size showed a positive effect, which is similar to previous findings in this area (Prasetyantoko & Rachmadi, 2008). Another study investigating companies listed on the Indonesian stock exchange indicated a relationship between liquidity and profitability where variables such as the size and the so-called market power of the company showed a significant positive effect. On the other hand, efficiency indicators did not show a statistically significant relationship (Lim & Rokhim, 2021). Regarding the influence of profitability on the efficiency of companies, the study by Alarussi (2021) indicated a positive influence on the profitability on the efficiency of Malaysian companies.

The study conducted by Machmud et al. (2024) showed the interrelation of profitability ratios and activity ratios in affecting the performance of companies. In particular asset turnover showed a positive influence on company's performance. The study by Youssef, Salloum & Al Sayah (2022), investigating UK small and medium size companies, indicated the significant effect of activity ratios on profitability. The study by Prahendratno (2023) revealed a positive influence of both asset turnover, inventory turnover, and receivables turnover, pointing to an increase in the efficiency of companies

listed on the Indonesian stock exchange. Similar findings were revealed by Dencic-Mihajlov, K. (2014) investigating the Serbian capital market. The findings of these studies, as well as the nature of this study, point to the creation of the following hypotheses:

***Hypothesis** 7: Inventory turnover has a significant positive effect on companies' performance.*

***Hypothesis 8**: Receivable turnover has a significant positive effect on companies' performance.*

3. Data and Methodology

The subject of this study is the analysis of the effects of selected microeconomic indicators on the profitability of companies listed on the stock exchanges of selected countries belonging to the former Yugoslavia. The study includes 78 companies and the analysis is based on panel data. Empirical research includes 964 observations and covers the period of analysis from 2006 to 2022. The dependent variable includes the indicator of return on assets, while the independent variables include indicators of the capital structure, i.e. short-term debt in relation to assets and long-term debt in relation to assets, company size, age of the company, tangibility of assets as well as activity indicators, i.e. inventory turnover and receivables turnover. The main goal of the study is to understand the direction of action of independent variables on the profitability of companies operating in several industry sectors using only company-specific variables. The authors determined that the use of a fixed effects model (FEM), random effects model (REM), or generalized least square (GLS) model would be most adequate to use to generate regression results, depending on the results of the diagnostic tests. The primary source of information was the financial reports of the companies obtained from the websites of the stock exchanges of the selected countries.

The table below shows the distribution of variables as well as calculation methods:

Table 1: Overview of used variables

Variables	Calculation	Source
Dependent		
ROA	Net profit/Total assets	Machmud, et al. (2024), Prahendratno (2023), Pervan, Pervan & Todoric (2012), Soni, Arora, & Le (2022)
Independent		
STD	Short-term debt/Total assets	Batchimeg (2017), Mirza & Javed (2013), Nunes & Serrasqueiro (2017)
LTD	Long-term debt/Total assets	Mirza & Javed (2013), Nunes & Serrasqueiro (2017)

LIQ	Current assets/Current liabilities	Vătavu (2014), Ehiedu & Priscilla (2022)
TAN	Tangible assets/Total assets	Vătavu (2014), Alathamneh et al. (2025), İltaş & Demirgüneş (2020)
SIZE	Logarithm of total assets	Vătavu (2014), Onaolapo & Kajola (2010)
AGE	Logarithm of age of companies	Soni, Arora & Le (2022)
INV	Cost of sold goods/Inventory	Machmud et al. (2024), Prahendratno (2023)
REC	Income from sales/Receivables	Youssef, Salloum & Al Sayah (2022), Prahendratno (2023)

Source: author's

As mentioned earlier, the sample consists of companies operating in several industry sectors. The table below shows a breakdown of the combined sectors as well as the percentage of participation of each sector in the total sample. This division was made for a better understanding of the interpretation of the main results of the study.

Table 2: Overview of industry sectors

Industry sector	Share
Manufacturing	29%
Transportation	16%
Pharmaceutical	10%
Construction	9%
Energy and oil	14%
Information and communication	13%
Retail	3%
Hospitality	6%

Source: author's

The panel data analysis uses various diagnostic tests to establish the validity of the selected data. The tests used are unit root tests such as Levin, Lin & Chu, Pesaran & Shin, Augmented Dickey-Fuller, and Phillips-Perron test. The variance inflation factor (VIF) test was used in conjunction with the correlation matrix to test the data for the presence of multicollinearity, while tests such as the Breusch-Pagan, Pesaran, and Hausman tests were performed to identify the presence of heteroscedasticity, cross-sectional dependence, and model adequacy. The most important part of the interpretation of the main sites is the use of the fixed, random effects model and the generalized least squares model. Based on the review of the variables used, the following model will be evaluated in this study:

$$ROA_{it} = \alpha + \beta_1 STD_{it} + \beta_2 LTD_{it} + \beta_3 LIQ_{it} + \beta_4 TAN_{it} + \beta_5 AGE_{it} + \beta_6 SIZE_{it} + \beta_7 INV_{it} + \beta_8 REC_{it} + u_{it} \quad (1)$$

where the abbreviations are as follows: i - company (i = 1,2,3…, n); t - year (t = 1,2,3); ROA – return on assets; STD –short-term debt; LTD – long-term debt; LIQ – current liquidity; TAN – tangibility of assets; AGE – age of company; SIZE – size of company; INV – inventory turnover; REC – receivables turnover; u – error term.

4. Results and Discussion

In the first part of this section, the authors with the help of table no. 3 below show the key indicators of the descriptive statistics of the variables used in the study. The results indicate the largest size of the standard deviation indicator in the case of the stock exchange, liquidity, and company size indicators. The quotient of the standard deviation points to a larger distribution of indicator values around the mean value as well as the largest difference between the minimum and maximum values of the indicator. Precisely for those indicators, there is also a greater difference between the mean value and the median of the data. A high amount of the mean value of the liquidity indicator shows a relatively high level of liquidity of the selected companies together with higher levels of turnover coefficients, i.e. activities. A higher mean value of the inventory indicator points to a relatively fast turnover of the company's inventory, which can mainly be attributed to the more dominant share of companies from the manufacturing sector in the total sample.

Table 3: Descriptive statistics

Variables	Obs.	Mean	Median	Maximum	Minimum	Std. Dev.
ROA	964	0,032735	0,026877	2,694951	-0,599500	0,113598
STD	964	0,272803	0,206611	1,332369	0,000182	0,232132
LTD	964	0,118245	0,049905	4,035068	0,000000	0,198790
LIQ	964	6,976801	1,604155	3773,103	0,016566	121,5855
AGE	964	3,596590	3,806662	5,062595	0,000000	0,805958
SIZE	964	13,04007	14,19749	23,83842	3,852419	6,242738
TAN	964	0,543428	0,529541	9,702686	0,000000	0,488302
INV	964	35,23976	1,151722	4253,335	0,000000	247,7966
REC	964	8,296562	4,633843	237,8338	0,000000	18,20295

Source: author's calculation

Criteria that must be met for obtaining a valid regression model are the absence of multicollinearity of independent variables as well as the presence of stationarity of the data used. The table below shows the results of the Variance inflation factor (VIF) test, which indicates the absence of multicollinearity in the data because the average value of the coefficient does not exceed a value of 10.

Table 4: VIF test

Variable	Coef. Variance	Uncentered VIF	Centered VIF
STD	0,0002	2,7617	1,1591
LTD	0,0003	1,7007	1,2559
LIQ	0,0000	1,0095	1,0061
AGE	0,0000	21,8550	1,0440
SIZE	0,0000	6,7340	1,2545
TAN	0,0000	2,7768	1,2398
REC	0,0000	1,2338	1,0214
INV	0,0000	1,0321	1,0116
Average			1,1241

Source: author's calculation

Unit root tests to establish the stationarity of the data is also required to perform a valid model. In this study, tests like Levin, Lin & Chu, Pesaran and Shin, Augmented Dickey-Fuller, and Phillips-Perron were conducted. The results indicated the stationarity of all dependent and independent variables at the level. This conclusion serves as the basis for subsequent diagnostic tests. As mentioned earlier, the analysis covers the period from 2006 to 2022 and a panel data set of 77 companies. In order to conduct the empirical part of the research, fixed (FEM) and random effects (REM) models were used, as well as the generalized least squares (GLS) model. Before obtaining the results, it was necessary to conduct adequate diagnostic tests in order to establish the adequacy of the data used. The diagnostic tests employed include the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity, the Pesaran test of cross-sectional dependence, and the Hausman test for selection between fixed and random effects models. The first test that was performed was the Hausman test, while the following tests were performed to select between the generalized least squares (GLS) model or the selected more adequate static model. The results indicated a greater adequacy of the random effects model (REM) in the case of static models, while the results of the heteroskedasticity test indicated the heteroskedasticity in the data. The results of the Pesaran CD test indicated the cross-sectional data dependence, which, together with the data heteroscedasticity, supported the selection of the generalized least squares (GLS) model for the interpretation of results due to its higher precision of regression results in the presence of data heteroskedasticity and cross-sectional data dependence compared to the fixed and random effects model.

Table 5: Diagnostic tests

Test	Test statistics	P-value
Hausman test	6,62	0,5783
Breusch-Pagan / Cook-Weisberg test	332,29	0,0000
Pesaran CD test	2,20	0,0278

Source: author's calculation

Table no. 6 below shows the results of all three types of models used. It was previously established that the most adequate interpretation of the results is shown by the use of the generalized least squares (GLS) model. The results indicated a statistically significant effect of capital structure indicators, i.e. both short-term debt and long-term debt. Also, the activity indicator of inventory turnover revealed a statistically significant effect together with the variables of company size, age, and tangibility. The liquidity indicator did not show any statistically significant impact.

Table 6: Regression analysis

	FE Model		RE Model		GLS Model	
Variables	Coefficient	Prob,	Coefficient	Prob,	Coefficient	Prob,
STD	-0,0338*	0,0701	-0,0351**	0,0369	-0,0429***	0,0000
LTD	0,2492***	0,0000	0,2359***	0,0000	0,0331***	0,0022
LIQ	0,00001	0,5817	0,00001	0,6057	-0,000007	0,407
AGE	0,0185	0,1129	0,0198***	0,0036	0,0085***	0,0000
SIZE	0,0008	0,8144	-0,00008	0,9396	-0,0007***	0,0024
TAN	0,0967***	0,0000	0,0956***	0,0000	0,0093**	0,0503
INV	-0,000009	0,4784	-0,00001	0,3016	-0,00002***	0,0002
REC	0,00004	0,8146	0,00008	0,6115	0,00006	0,1727
C	-0,1172**	0,0430	-0,1065***	0,0003	0,0084	0,3259
R-squared		0,5776		0,4186		0,2848
Prob(F-statistic)		0,0000		0,0000		0,0000

Source: author's calculation

Observing first the effect of capital structure indicators on profitability, it is noticeable that the level of short-term debt showed a negative effect, while the level of long-term debt showed a positive effect with a significance of 1%. The results show that a 1% increase in short-term debt causes a 0.04% decrease in return on assets (ROA), while a 1% increase in long-term debt contributes to a 0.03% increase in return on assets (ROA). These results are in direct contrast to the findings of a previous study conducted by Abor, J. (2005), which showed a positive effect of short-term debt, while long-term debt showed a negative effect on company performance in Ghana. The findings of this study point to the conclusion that the increased level of short-term lending in the example of the selected companies contributes to the decrease in profitability, which can be attributed to the nature of short-term lending in the change of interest costs when refinancing them. Although looking absolutely at short-term and long-term debt, long-term debt represents a more expensive alternative, the positive effect of long-term borrowing in the example of this research can also be attributed to its nature of constancy and absence of frequent changes in interest costs. The study by Đaković, Kalaš & Inđić (2024) found that profitability negatively affected the short-term debt of companies listed on the Belgrade stock exchange which alongside the findings of this study, further points to the existence of mutual

influence of these two indicators. These findings point to the conclusion to accept hypothesis no. 1 and reject hypothesis no. 2 regarding short-term and long-term debt.

The age of companies is indicative of a positive effect at the significance level of 1%. The results suggest that for a 1% increase in age, companies achieve a 0.008% increase in profitability, indicating that the older companies are, the more they typically increase their profit levels, similar to the findings of Pervan, Pervan & Todoric (2012). The reason for this conclusion can be attributed to the management's success in improving the efficiency of business cost control over time. The indicator of company size showed a negative effect on the level of profitability of companies similar to the findings of Vuković, et al. (2020), where an increase in company size by 1% causes a decrease in profit by 0.0007%. A statistically significant effect was observed, however it was not very large in terms of change in companies' profitability. It can be concluded that as the company becomes bigger, there may be a slight drop in the level of profitability. This study did not reveal any presence of a significant effect of liquidity on the profitability of companies, similar to the findings of Murthy, Vrramakrishna & Naik (2022), but contrary to (Ehiedu, 2014; Doğan, 2013). The findings of this study lead to the rejection of hypothesis no. 3, hypothesis no. 5, and the acceptance of hypothesis no. 4.

The indicator of the tangibility of assets showed a statistically significant positive effect, contradictory to the findings of (Burja C. 2011; Shah & Khan, 2007) but similar to Bhutta, & Hasan (2013), where the growth of tangibility of assets, i.e. the level of fixed assets in the company's assets by 1% causes an increase in the level of profitability by 0.009%. This effect, similar to the influence of the size of the company, does not cause an excessive change in the level of profitability, but the effect is significant at the level of 5%. The activity indicator that showed a statistically significant impact is the inventory turnover ratio, which indicated a negative effect on the level of profitability, contradictory to the findings from Prahendratno *(2023)* but similar to Goddard, Tavakoli & Wilson (2005). An increase in the turnover ratio by 1% causes a drop in profitability by 0.00002%. The significant effect of this indicator can be additionally explained by the majority participation of companies from the manufacturing sector in the sample. These findings lead to accepting hypothesis no. 6 but rejecting hypothesis no. 7 and hypothesis no. 8.

Conclusion

In this study, the focus is on examining the effect of certain firm-specific factors on the profitability of selected companies. Profitability is the primary focus of financial management, and understanding the interaction of performance indicators with other internal indicators is of great importance in creating adequate financial policies. The research covered the period from 2006 to 2022 and included companies from various industrial sectors, listed on the stock exchanges of the countries of the former Yugoslavia. The study was conducted with the aim of better understanding the factors that have a significant effect on profitability, as well as creating a basis for financial policymakers when making decisions that are important for the company's performance.

The theoretical and empirical part of the research represented the main division of this study, where the first part covered the main findings of similar research, on the basis of

which the main hypotheses tested in the empirical part were derived. The main findings indicated a significant effect of the capital structure indicator, i.e. short-term debt and long-term debt as well as indicators of tangibility of assets, company age, company size, and inventory turnover indicators. Indicators of short-term debt, tangibility of assets, company size, and inventory turnover showed a negative effect, while indicators of long-term debt and age of companies showed a positive effect. The main limitations of this study are the summary presentation of the results in relation to the separate division by country and industry sector and the individual presentation of the results. This type of research is proposed as a continuation of this study. It is also suggested to include certain macroeconomic factors in the analysis in order to understand the interaction of profitability with both firm-specific and external factors.

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