

## Impacts of Macroeconomic Factors on Insolvency: Case of Romanian Companies

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### Abstract

*Macroeconomic factors leave their mark on the continuity of companies, and studying their impact on corporate insolvency is welcome, especially in the current economic, social and political context. The purpose of this research paper is to survey representatives of 140 companies in Romania in order to present the situation regarding the impact of macroeconomic factors on company insolvency, as well as to analyze the number of insolvencies in Romania and the correlation between GDP and the number of insolvencies in Romania. The first objective is to review the specialized literature on the topic of insolvency, macroeconomic factors and the impact of these factors on corporate insolvency, and the second objective is focused on the analysis of the companies in the research sample. The results consist of providing an overview of the companies in Romania regarding the impact of macroeconomic factors on insolvency. The companies included in the questionnaire sample were analyzed between November 2022 and August 2023.*

**Key words:** macroeconomic factors, insolvency, companies, Romania, GDP

**J.E.L. classification:** M10, M41

### 1. Introduction

Any business may at some point face an internal crisis that can jeopardize its operation and image, this situation being characterized by an increased risk of bankruptcy, a weak competitive position, financial instability (Grosu *et al*, 2023, p. 22). Financial difficulty creates many inconveniences within a company, from blockages in making payments to endangering the company's survival. (Apetri *et al*, 2024, p. 3). The notion of insolvency implies a difficult or crisis financial situation of a trader in which liabilities exceed assets, making it impossible for the trader to fulfill the payment obligations assumed on time and in good conditions (Lică, 2012, p. 185).

Just as a company's market value depends largely on its current economic situation and its future prospects, the value of companies depends on the overall economic situation of the country and its future prospects in that country (Peiro, 2016, p. 287). It is widely accepted that a stable macroeconomic framework is necessary, although not sufficient, for sustainable economic growth (Fischer, 1993, p. 487). In this context, the purpose of this research paper is to survey representatives of 140 companies in Romania in order to present the situation regarding the impact of macroeconomic factors on company insolvency, as well as to analyze the number of insolvencies in Romania and the correlation between GDP and the number of insolvencies in Romania.

### 2. Theoretical background

In the global economy, in the turbulent environment, the effects of the insolvency risk of companies lead to numerous operational and strategic problems, while also being causes of the contagion effect, therefore, it is important to study the insolvency phenomenon, the determining factors that shape it, as well as to look for opportunities to reduce the risk of this problem (Rochon

*et al*, 2017, p. 21). The competitive economic environment is constantly subject to multiple risks, which requires the application of rigorous principles for their management, and, unfortunately, more and more companies are facing financial difficulties (Voda *et al*, 2021, p. 1039).

Insolvency is the inability of an organization/company to pay its debts, and when such a company is unable to pay on the due date, it is considered critical insolvency (Onakoya *et al*, 2017, p. 707). The contemporary business conditions in which today's companies operate require them to be able to fulfill their obligations in order not to be eliminated by the competition (Kušter *et al*, 2023, p. 1). Also, the possible occurrence of an insolvency situation represents a serious threat to various economic agents who hold an interest in insolvent organizations (Pindado *et al*, 2004, p. 51).

Insolvency and implicitly bankruptcy are the consequence of a high degree of indebtedness and a relatively low degree of solvency and depend on a series of factors specific to the sector of activity, the entity or the economic environment, which can bring the entity into a state of difficulty from an economic, financial, legal and socio-political point of view, which forces it to enter the judicial reorganization procedure (Holt, 2009, p. 325). Bankruptcy risk can be defined as the inability of companies to meet a due payment, namely its inability to repay the borrowed amounts on time under the conditions established by mutual agreement with third parties, based on an economic or credit contract (Popescu *et al*, 2009, pp. 7-8).

Previous studies on the impact of macroeconomic factors on corporate insolvency have chosen for research the following most important macroeconomic factors that influence corporate insolvency: GDP growth rate, interest rate, inflation, unemployment rate, company start-up rate, consumer price index, foreign exchange rate (Yung *et al*, 2025, p. 1; Sang *et al*, 2014, p. 2; Mačerinskienė *et al*, 2013, p. 39). Inflation occurs anytime, anywhere and cannot be controlled (Ridwan, 2022, p. 1). In general, the cause of inflation in developed countries is generally identified as the increase in the money supply, while in developing countries, on the other hand, inflation is not a purely monetary phenomenon (Totonchi, 2011, p. 459). GDP is the important factor for knowing the stability of a country's financial situation (Sa'adah *et al*, 2020, p. 32).

Unfavorable macroeconomic conditions, combined with the central bank's decision to maintain an appreciated exchange rate, negatively influence industrial production, which consequently also leads to increased corporate insolvency (Žiković, 2016, p. 526).

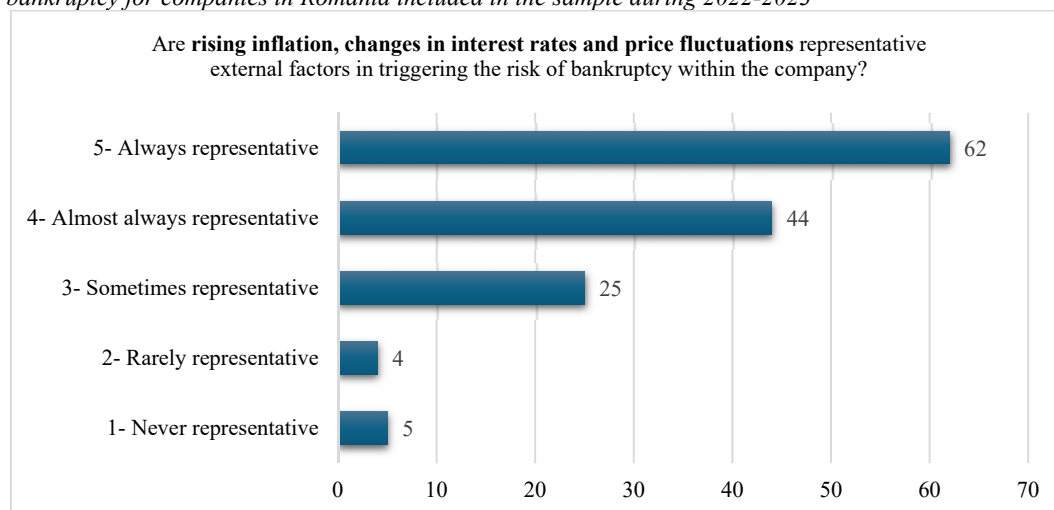
### **3. Research methodology**

In order to conduct the research, data was collected through a questionnaire, but also through INSSE and coface reports on the insse.ro and coface.ro websites. The influence of the following macroeconomic factors on company insolvency was analyzed: inflation, interest rates, prices and GDP. The questionnaire was applied during 2022-2023 to 140 companies in Romania, and the data from the INSSE and coface reports were analyzed during 2012-2024. The fields in which the companies included in the questionnaire operated are diverse, with all companies included in the database, regardless of whether they operate in the field of production, services or trade. The people who checked the questionnaire answers occupy one of the following positions within the company: manager/administrator, chief accountant/accountant and associate/shareholder/investor.

### **4. Findings**

This section presents the results obtained from distributing the questionnaire to representatives of the companies included in the analysis, as well as analyzing and interpreting data on the number of insolvencies in Romania and the evolution of GDP in correlation with the number of insolvencies.

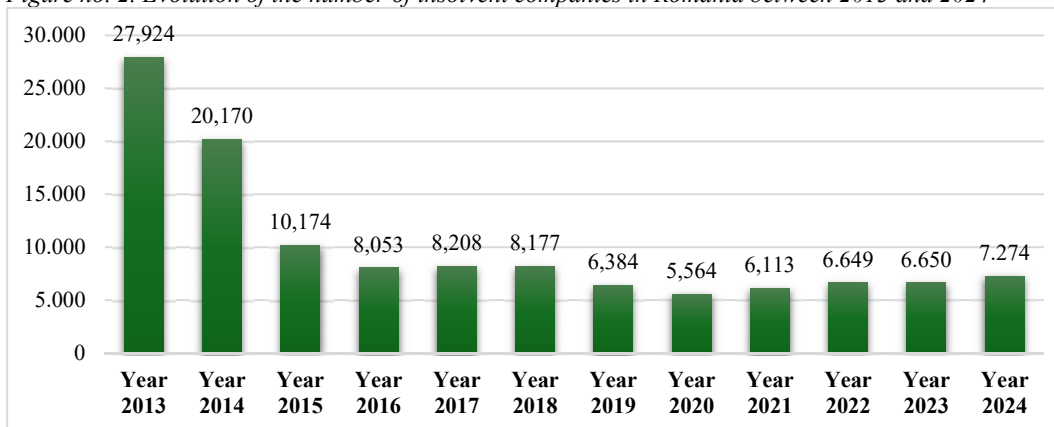
Figure no. 1. The degree of representativeness of external macroeconomic factors in triggering the risk of bankruptcy for companies in Romania included in the sample during 2022-2023



Source: authors' own processing based on the questionnaire

According to the results of the research, rising inflation, changes in interest and price fluctuations are representative external macroeconomic factors in triggering the risk of bankruptcy for the companies analyzed (see Figure no. 1), with 62 responses for the answer "5- always representative" and 44 responses for the answer "4- almost always representative". It can be observed that these macroeconomic factors, namely rising inflation, changes in interest and price fluctuations, were not checked as being rarely representative and never representative in triggering the risk of bankruptcy, only by 4 and 5 respondents, respectively, which demonstrates the significant influence of these factors in the occurrence of insolvency within the company.

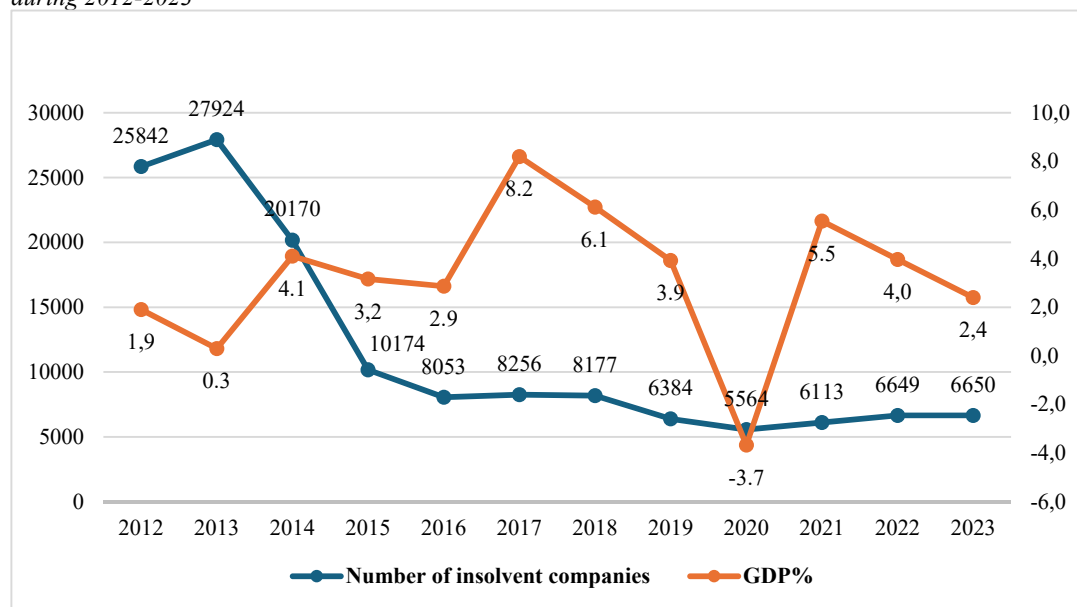
Figure no. 2. Evolution of the number of insolvent companies in Romania between 2013 and 2024



Source: authors' own processing based on data from the Coface

It can be seen in Figure no. 2 that most company insolvencies were registered in 2013 due to the post-crisis phenomenon related to the global crisis of 2010. After 2014, there is a downward trend in the number of bankruptcies, reaching 7,274 insolvent companies in 2024. The unexpected positive results in 2020 are explained by the existence of support measures offered to companies by the government in the context of the health crisis. However, the repercussions of the health crisis began to be felt after 2020, when already in 2021 the number of insolvencies began to increase significantly until 2024 inclusive.

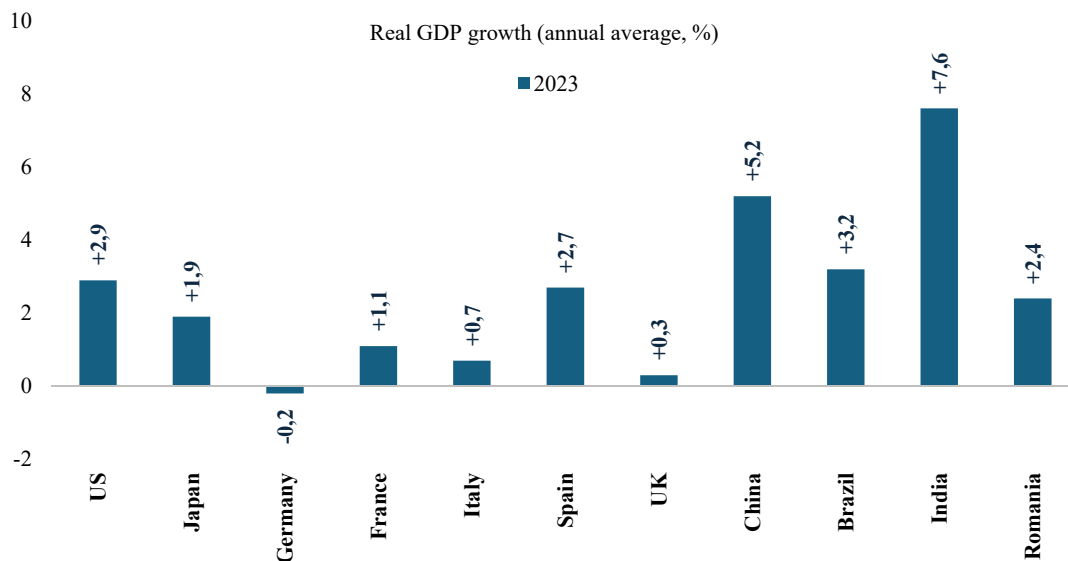
Figure no. 3. Evolution of the number of insolvent companies and the evolution of GDP in Romania during 2012-2023



Source: authors' own processing based on data from the INSSE and Coface

In Figure no. 3 it is observed that GDP resumed its upward trend after 2013, immediately mitigating the number of insolvencies that decreased until 2020. It is easily observed in Figure no. 3 that the increased GDP values have a positive influence on the number of insolvencies in Romania, as they decreased significantly during the period 2013-2020. In 2020, the health crisis influences the sudden decrease in GDP, which has a negative value. The decrease in GDP in the period 2021-2023 also influences the increase in the number of insolvencies amid the post-Covid19 effects and the geopolitical crisis.

Figure no. 4. Annual GDP recorded in 2023 in the main states and countries of the world - comparison with Romania



Source: authors' own processing based on data from the Coface and INSSE

Figure no. 4 shows that Romania is in a good position in terms of GDP growth in 2023 compared to 2022 (by +2.4) compared to the other important states and countries included in the analysis. However, in 2023 the upward trend in GDP was not felt in the number of registered insolvencies as they experienced an increase in the period 2023-2024 (see Figure no. 2).

## 5. Conclusions

Many studies focus on the study of internal factors in triggering corporate insolvency. Therefore, this study aims to complement the specialized literature, but especially to help managers and all those interested in the topic of corporate insolvency, to be aware of the influence of macroeconomic factors on the continuity of companies. The following macroeconomic factors with influence on corporate insolvency were chosen for analysis in this research: inflation, interest rates, price fluctuations and GDP.

It has been shown that of the 140 Romanian companies analyzed, the vast majority consider inflation, interest rate changes and price fluctuations to be external factors triggering the risk of bankruptcy within the company. As for company insolvencies, they were recorded most often in 2013 due to the post-crisis phenomenon related to the global crisis of 2010. After 2014, there is a downward trend in the number of insolvencies, reaching 7,274 insolvent companies in 2024. The unexpected positive results in 2020 are explained by the existence of support measures offered to companies by the government in the context of the health crisis. However, the repercussions of the health crisis began to be felt after 2020, when already in 2021 the number of insolvencies began to increase significantly until 2024 inclusive. Also, the increased GDP values have a positive influence on the number of insolvencies in Romania, as they decreased significantly in the period 2013-2020. Romania is in a good position in terms of GDP growth in 2023 compared to 2022 (+2.4) compared to the other major states and countries included in the analysis. However, in 2023 the upward trend of GDP was not felt in the number of registered insolvencies as they experienced an increase in the period 2023-2024.

There may be other external factors influencing corporate insolvency, including: economic recession, national or international crises, unfair competition, entry/exit of the company into/from different market niches, economic changes or changes in demographics, technology or regulations. Therefore, these listed external factors may constitute benchmarks for future studies to complement the present study.

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