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THE IMPACT OF 2008 FINANCIAL CRISIS ON FIRM'S PRODUCTIVITY: EVIDENCE FROM LATVIA, LITHUANIA AND ROMANIA

Ender Demir[1], Chi Keung Marco Lau[2], Mehmet Huseyin Bilgin[3]

Abstract. This study examines the impact of 2008 financial crisis on firms' productivity in Latvia, Lithuania, and Romania by using the World Bank's Enterprise Financial Crisis Survey data. The Work Bank carried out the survey to have a short, quick, and cost-efficient evaluation of the effect of the 2008 global financial crisis on companies in European and Central Asian countries. We find that different firm-specific variables affect the firm's productivity in Latvia, Lithuania, and Romania. Firms benefited from huge market potential and this location proximity to capital city can improve the chance of being less affected from the crisis only in Latvia. On the contrary to the findings for Latvia, the capital city variables are not statistically significant for firms in Lithuania and Romania. Working capital financing matters for firms in Latvia and Lithuania while short-term leverage is important for firms in Lithuania and Romania. More interestingly, we observe that R&D expenses may not able to improve firms' performance at the time of financial crisis.

Keywords: financial crisis, productivity, firm-level data, R&D, capital city

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