

Financial Ratios and Corporate Governance Effects in a Financial Distress Model

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Abstract

Financial and non-financial information is used to forecast financial crises for most companies. In this work, we collect data of 27 financial crises companies except the financial sector from 2006 to 2008 and 108 normal companies in the constituent stocks of the Taiwan 50 Index Fund and the constituent stocks of medium-sized 100 companies in 2008. Logistic regression models are adopted to predict financial crises based on non-financial information of corporate governance and financial information. This empirical results indicate that financial crisis of company is related to financial structure of company, solvency, intervention of major stockholders, and cash flow. Moreover, we conclude that the financial crisis model is more predictable while the year of financial crisis is more closing.

Keywords: Corporate governance, Financial ratio, Financial distress, Logistic regression model

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