

Financial Failure Prediction in Banks: The Case of European Union Countries

Zeynep TÜRKCAN
Antalya Akev University
Programme of Banking and Insurance
Antalya, Turkey
orcid.org/0000-0002-1193-818X
kahzey@hotmail.com

Abstract

Financial crisis in 2007, affecting the whole world, revealed the significance of early prediction of distressed banks and companies, and subsequently research on financial distress prediction in the banking sector accelerated considerably. This study estimates the financial failure of banks and looks at the factors related to bank failure using a five-stage empirical model based on panel data for the 1990-2010 period, for banks operating in 27 European Union (EU) countries. Using a panel logit model to determine which of the independent variables led to the bank failure, it is observed that “Non-interest Income to Total Income” is the best predictor.

Keywords: Financial Distress, EU, Financial Ratios, Macro-economic Indicators, Panel Logit Model