

Abstract

This research investigates the effectiveness of financial ratios in predicting corporate bankruptcy, employing a multi-method approach to provide a comprehensive analysis of their predictive power. The study combines quantitative techniques, such as statistical modeling, with qualitative insights from expert opinions to assess how well financial ratios can forecast the likelihood of a company's financial distress. By focusing on a variety of financial ratios—such as liquidity, profitability, and leverage—the research aims to determine their reliability in identifying firms at risk of bankruptcy.

In the quantitative phase, historical financial data from companies across multiple industries are analyzed to identify key ratios that correlate with bankruptcy events. Statistical tools, including regression analysis and machine learning models, are applied to assess the predictive accuracy of these ratios over different time periods. The results are compared to evaluate the strengths and weaknesses of financial ratios in predicting bankruptcy across various market conditions and sectors.

The qualitative aspect of the study involves interviews with financial analysts, corporate risk managers, and bankruptcy experts. These insights provide context for understanding how financial ratios are used in real-world decision-making and the factors influencing their effectiveness. By combining both quantitative and qualitative methods, this study aims to offer a more nuanced perspective on the role of financial ratios in forecasting corporate bankruptcy, ultimately helping firms and stakeholders improve risk assessment strategies.