

Predicting Financial Failure and its Impact on Reducing Financial Risks the Mediating Role of the Financial Analysis Models

Asim Iqbal Khattak

Ms Scholar Department of Management Science Qurtuba University Peshawar [at-
khattakiq576@gmail.com](mailto:khattakiq576@gmail.com)

Sabir Ullah

Ms Scholar Department of Management Science Qurtuba University Peshawar

Abstract

This particular investigation was conducted with the intention of elucidating the forecast of financial failure. In addition to this, it aimed to ascertain the manner in which the prediction of financial failure influenced the financial risks. Additionally, the mediation function of the financial analysis models was investigated as part of this study. Following discussion, it was determined to employ the descriptive analytical method. In the current study, the researcher utilized the Kida Model to investigate the financial records of five Jordanian public joint stock companies that had either been liquidated or were in the process of being liquidated for the three years preceding to their liquidation. In his research, he found that financial models, such as the Kida Model, can be utilized to make predictions on the possibility of a company experiencing a financial catastrophe. It is his suggestion that publicly traded joint stock companies should be required to measure the indicators of financial collapse on a regular basis. This is the action that needs to be taken in order to assist businesses in remaining out of the red.

Keywords: Predicting financial failure, financial risks, financial analysis models.

Introduction

In order to better comprehend the predicted financial catastrophe, this inquiry was conducted. Moreover, research aimed to determine how the prediction of a financial collapse affected the financial problems. Furthermore, this study sought to evaluate the role of financial analysis models in mediation. It was decided to implement the descriptive analytical technique once the conversation ended. Five publicly traded Jordanian companies were either about to be liquidated or had already been when the researcher used the Kida Model to their financial records. Either liquidation proceedings were underway or had already taken place at these companies. The bulk of the inquiry was devoted to the three years preceding its collapse. While conducting his research, he discovered that financial models like the Kida Model might be used to forecast the probability of a financial disaster for a corporation. He proposes a rule that publicly traded joint stock companies should be forced to monitor the warning signs of financial collapse on a regular basis. This is the right move to make if you want to help companies maintain their financial stability.

Financial Failure:

The International Financial Reporting Standards (IFRS) are based on the notion of ensuring consistency in the preparation of financial accounts. Financial statement auditors have been

giving it particular scrutiny. Nevertheless, there are specific situations in which the ongoing existence of a company is terminated. An instance of such eventualities, as stated by Momani and Shwayat (2007), occurs when a company ceases operations or amalgamates with another company. The capacity of a firm to sustain its operations can be compromised by a financial catastrophe. This kind of failure is widely regarded as a broad term. There are multiple definitions for the word "financial failure". Every definition of this form of failure explicitly refers to the entity's inability to fulfill its financial obligations. According to Al-Qaisi (2016), financial institutions might fail for two main reasons: internal factors and external factors. Internal reasons encompass the inefficiency of administrative decisions pertaining to operational policies in production, purchasing, storage, selling, and pricing. Additionally, the state of technical innovation, funding, and investment also contribute to these internal causes. Another internal factor is the accumulation of debt. External issues encompass the significant expense and limited accessibility of suitable financial resources. Furthermore, they encompass the escalating level of competitiveness. This category encompasses the gloomy predictions made by stock market analysts and participants.

The entity's financial operations failure is a substantial problem that presents a risk to its financial operations. If you have experienced a financial loss, there are numerous potential reasons that could account for it. Due to these myriad challenges, the company may ultimately resort to filing for bankruptcy, resulting in its closure. Astage refers to the process or sequence of changes that an object undergoes. Prior to its onset, there is a phase of economic decline. In the future, you may need to handle financial liquidation. Attaining success is desired, even though entitlements are present. Conversely, several organizations are incapable of fulfilling their financial responsibilities (Abu Shehab, 2018). This could potentially result in the organization encountering a challenging predicament. It refers to the entity's inability to meet all of its financial obligations. The entity's operations may be suspended for an extended duration due to financial challenges. There is a possibility that you may need to declare bankruptcy by the end of the day. Financial failure refers to the inability to meet financial obligations by making timely payments. The entity's diminishing returns are a direct consequence of this situation. According to the hypothesis, the decline in value is attributed to the accumulation of losses. (Kamal, 2014) If the underlying causes of the decline were effectively resolved, the organization would have the potential to avert insolvency resulting from a financial collapse. To positively impact the behavior of stakeholders, such as investors and lenders, it is crucial to assess the probability of a financial failure. Additionally, it mitigates the associated dangers. This enables the organization to evaluate the extent of the risks in the future. Due of this, it is crucial for the facility to continue existing. More precisely, it functions as a preemptive alert system for the issues that the organization is presently facing. The ultimate consequence is that it grants the entity the capacity to confront its issues before to experiencing a total collapse. Lack of foresight regarding a financial disaster may finally result in the submission of a bankruptcy petition. Anticipating the potential financial collapse of a company is regarded as a crucial administrative duty in enterprises (Alhayyat, 2014).

Financial Risks:

Financial risk, within the framework of a business, pertains to the likelihood of the organization experiencing financial losses due to unforeseen or unpredictable circumstances that impact its revenue. Financial hazards can be categorized into different classes. Investment risk, liquidity risk, and finance risk are all examples of the various forms of dangers that one may confront. The source of the risk forms the basis for this categorization. In addition to exacerbating the situation, assuming financial risks might lead to volatility in the value of the company's assets. As to Zhao et al. (2023), it can result in a decline in revenue or a deterioration of the organization's financial circumstances. As to the research conducted by Othman and Ismail (2021), companies can be exposed to several revenue opportunities. They classify financial threats into five basic groups. The hazards in this area encompass those related to sufficient capital, liquidity, interest rates, credit, and currency rates. Artificial intelligence approaches, specifically neural networks, have the potential to enhance the accuracy of financial risk prediction. This will enhance the efficacy of financial risk management. Moreover, it will significantly enhance the financial performance of corporate enterprises. The neural networks utilize a combination of past and present data. They analyze these fragments of information and establish correlations among the numerous pieces of data. Multiple discrete definitions were employed to delineate risks. Within the context of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), risks are specifically defined as circumstances that have an adverse effect on the organization's ability to accomplish its goals.

Furthermore, it highlights the notion that hazards are shaped by both internal and external factors. As per COSO (2013), these components impact the organization's capacity to deliver value to its customers. Risks, as described by Hillson (2017), refer to potential or existing dangers that a business may encounter. These dangers arise from unfavorable acts and events that hinder the organization's capacity to achieve its objectives, regardless of whether those objectives are short-term or long-term in character. Considering the events and actions that have occurred, there is a potential for the entity to be incapable of producing goods or providing services. They possess the capacity to impact the existence and sustainability of the entity, as well as its level of profitability. The corporate entity is vulnerable to various financial risks. Therefore, it is imperative for every organization to identify and evaluate any potential hazards that it may encounter. To properly manage these risks, it is crucial to take action. These are some of the categories that are classified as risks: The source of this information is from Hull in the year 2018.

Credit risk

refers to the potential for a borrower to default on a loan or for debtors to fail to make their regular payments. Credit risk refers to the probability of incurring a financial loss due to either of these situations.

Liquidity risk

refers to the company's failure to fulfill its obligations by delivering cash or other financial assets. It can be described as the risk that arises when an organization is unable to promptly meet its immediate financial obligations to its creditors.

Market risk

refers to the potential for the fair value or expected cash flows of a financial instrument to change due to fluctuations in market prices. One possible definition is the risk of experiencing a monetary loss due to a lack of knowledge about the future cost of an organization's financial instruments. There are various kind of risks that can occur in the market. Currency and interest rate risks are among the various hazards encompassed by this category.

Capital adequacy risks

refer to the potential concerns associated with having an insufficient amount of overall capital to finance the operations of a facility.

Financial Analysis Models:

Currently, there are numerous models capable of predicting the failure of a financial enterprise (Kliestik et al, 2020). Several research in the field of accounting have referenced these models. The Altman Model is one of several models available. The Sherradow Model is one of these models, specifically. Analysts utilize these models to forecast the future financial condition of the company. By utilizing these models, they are able to forecast the likelihood of a business's ongoing existence. Their ability to forecast the future sustainability of businesses has been remarkably accurate. Research conducted on organizations across diverse countries and areas has provided proof of the efficacy of this method. Each of these models relies on a multitude of ratios. To determine the values of these ratios, one might analyze the financial reports of firms (Abu Alia et al., 2021). Regarding the application of ratios, the models employed to predict the financial system's collapse are similar to each other. Conversely, the weights assigned to each ratio are what distinguish them from one another. Furthermore, the distinctive attributes of different industries and the surrounding environmental conditions operate as indicators of the causative elements. In the banking business, the main emphasis lies on the volume of loans disbursed and the magnitude of funds transferred to customers. In contrast, the industrial sector focuses primarily on the fixed assets required for the production of goods. In light of this, it is imperative for the financial analyst to ascertain the appropriateness of the ratio weights for the specific industry they plan to examine. It is imperative for the analyst to obtain the desired outcome, which is the bankruptcy coefficient (Z), and it must be completed. As stated by Al-Morshedy (2018), the analyst would subsequently conduct a comprehensive examination of the main ratios to ascertain whether to proceed with the procedure, initiate bankruptcy proceedings, or experience failure. By making predictions based on assumptions about the future of the entity, it is feasible to anticipate that it will experience a financial collapse. Currently, it relies on the findings of an ongoing investigation. The examination of the financial ratios shown in the financial statements is an additional element that acts as a foundation. These types of forecasts can be generated utilizing models. By employing these models, we can assess the facility's capacity to sustain operations and forecast potential

hazards in the future. Al-Rifai (2017) states that accounting research has produced numerous models that can be employed to forecast corporate default.

Kid Model

The Kidmodel is a predictive model specifically designed to forecast financial collapse. To effectively utilize this strategy, it is crucial to acquire the values of the financial ratios that are deemed to be the most vital. Discriminant analysis is essential for categorizing individual observations into consistent groupings. The objective of the accompanying study is to distinguish between economic entities that have not experienced failure and those that have experienced failure. To ascertain the value of Z, the five variables that have been multiplied are combined and subsequently subtracted from. The equation presented below, released by Abu Shehab in 2018,

$$Z = 1.042X1 + 0.42X2 - 0.461X3 - 0.463X4 + 0.271X5$$

Whereas,

X1= The net profits before taxes to total assets

X2= The total equity to liabilities

X3= The liquid assets to current liabilities

X4 =The revenues to total assets

X5= The cash to total assets

Based on the Z value, this model may effectively predict the financial demise of a corporation. There is a direct relationship between the level of negativity in the result and the likelihood of a failure happening. A direct relationship exists between the level of financial stability and the resulting outcome.

Altman Model

This concept was conceived around approximately 1986. It is employed to forecast the potential financial challenges that a company may encounter in the future. The entity is responsible for ensuring the continuity of its operations. The equation presented by Abu Alia et al. (2021) demonstrates its appearance by indicating that:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + .6X_4 + 1.0X_5$$

Whereas:

X_1 = The working capital ÷ the total tangible assets.

X_2 = The retained earnings ÷ the total tangible assets.

X_3 = The earnings with excluding interest and tax ÷ the total tangible assets.

X_4 = The market value of the shareholders' equity ÷ the total liabilities.

X_5 = The net sales ÷ the total tangible assets.

It is a sign that a severe financial disaster is imminent. According to Al-Ghoussein (2004), the financial condition of the entity will get better as the Z value becomes more positive. The Altman model is a method used to assess investments. This approach enables investors to ascertain the financial status of the targeted facility. The latter model includes a summary of pertinent ratios. According to Altman (1968), the use of multiple discriminant analysis is necessary to distinguish between businesses facing challenges and those facing fewer issues.

Letters Sherrod Model

This model emerged in 1987. It aims to measure the credit risks when granting loans to economic projects. It's used for evaluating the continuity of the activities of an entity on the long term (Al-Morshedi, 2018). It manifests in the following equation:

$$Z = 17x_1 + 9x_2 + 3.5x_3 + 20x_4 + 1.5x_5 + 0.1x_6$$

Whereas,

Z = The failure index

X_1 = The net working capital / the total assets.

X_2 = The liquid assets / the total assets.

X_3 = The total shareholders' equity / the total assets.

X_4 = The net earnings with excluding interest and taxes / the total assets

X_5 = The total assets / the total liabilities.

X_6 = The total shareholders' equity / the fixed assets.

Based on the value of Sherrod's Z coefficient, the level of risk is determined (Abu Alia et al., 2021)

Statement of the Problem

Conducting a risk assessment of a company's present financial condition is of utmost significance. This will enable the management to foresee the impending financial collapse of the targeted

enterprises. To make such a prediction, various financial analysis models can be used. Moreover, the latter models are employed to examine financial ratios and hazards. Many experts and academics specializing in accounting and finance have been closely monitoring the prediction of a severe financial disaster. This is because a diagnosis of this nature is a crucial instrument for preventing a challenging financial circumstance. Since the 1930s, there has been significant interest in predicting a financial catastrophe, particularly in the United States of America. The escalation occurred due to multiple occurrences of bankruptcy in companies situated in the United States (Abu Shehab, 2018). This inquiry was done to clarify the prediction of financial failure. Furthermore, it sought to determine how the prediction of financial failure impacted the financial risks. Furthermore, this study examined the role of financial analysis models in mediating.

Questions of the Study

The current study aimed to offer answers for the following questions :

Q.1. Does predicting financial failure contribute to reducing financial risks when mediated by the financial analysis models?

Q.2. Can the financial failure of the companies being liquidized be predicted through financial analysis models?

Objectives of the Study

The researcher of the present study aimed to:

-Review the relevant theoretical literature on corporate financial risks, financial failure and financial analysis models.

-Testing the impact of predicting financial failure on financial risks when mediated by the financial analysis models.

-Identify whether it's possible to predict the financial failure of companies being liquidized through financial analysis models

The Significance of the Study

-The current study provides valuable insights on how to predict financial failure, which can be beneficial for various stakeholders and decision makers. As a result, it increases their understanding of the importance of making such a prediction.

-This study has provided a deeper understanding of financial models and their potential applications in predicting financial catastrophes.

Definitions

Financial Failure:

The condition known as "financial failure" describes the situation in which a company is unable to fulfill its immediate obligations because it does not possess the funds that are required. According to Abu Alia et al. (2021), this is often attributed to the management's inability to achieve a balance between the resources of the institution and the promises it has for the future.

Financial

Risk:

When we talk about financial risks, we are referring to the potential losses that a business might face either right now or in the future. These kinds of losses have a negative influence on the entity's

ability to achieve the goals it has set for itself. According to Othman and Ismail (2021), it has a negative impact on the profitability and economic viability of the company. These are a series of models that are used to estimate the future financial status and viability of a company.

Financial Analysis Model

Financial analysis models are also known as financial models. Numerous ratios serve as the foundation for these models. According to Abu Alia et al. (2021), the calculated values of these ratios can be obtained by analyzing the financial reports of the selected organizations.

Review of Literature

Shawqi and Na'eemah (2023) used the Altman model to estimate the likelihood of financial collapse for small and medium-sized firms listed on the Malaysia Stock Exchange. Between 2016 and 2021, six small and medium-sized firms (SMEs) were listed on the Malaysia Stock Exchange. The study's findings suggest that the likelihood of two small and medium-sized firms (SMEs) facing financial bankruptcy is very low. Additionally, it was discovered that two other small and medium-sized firms (SMEs) were not at risk of facing bankruptcy. Zhao et al. (2023) conducted a comprehensive assessment of the available literature in their study. The main focus of their study was the literature on enterprise risk analysis. A comprehensive examination was carried out on 250 articles that were published from 1968 to 2023, covering a period of about 50 years. During the enterprise risk study, it has been determined that the currently employed deep learning models have exhibited a significant degree of efficacy. Mansor et al. (2022) did a study that specifically examined the B40 group of Malaysian households. The study aimed to investigate the various factors that contribute to financial stress within this group. To showcase a comprehensive comprehension of financial well-being, it is important to examine these components. The implementation of a questionnaire facilitated the gathering of data. Data was gathered from a sample of 1008 participants selected from five distinct areas in Malaysia using a questionnaire. The researchers found evidence suggesting that the level of financial stress experienced by B40 households is highly influenced by factors such as financial behavior, locus of control (luck and self-confidence), and financial vulnerability (debt and income). A strong correlation has been shown between financial vulnerability, which includes factors such as debt and income, and locus of control, specifically self-confidence. This correlation is directly linked to the experience of financial stress. This association has been revealed through research. Research has shown that financial stress can significantly affect an individual's overall financial well-being. Based on the results, governments must implement more effective programs to relieve the financial difficulties faced by B40 households. In their recent study endeavor, Abu Alia and colleagues (2021) examined the precision of the Altman and Sherrod models in predicting financial difficulties for Palestinian companies registered on the Palestine Stock Exchange. The main objective of their efforts was to analyze the level of agreement between the findings of the specific models. They performed a comprehensive examination of various financial statements to gather the necessary data for calculating the ratios used in the targeted models. Their focus was mostly on companies in the manufacturing sector that were listed on the Palestine Stock Exchange. The

analysis was conducted on a time series that covered a duration of around five years, specifically from 2015 to 2019. It has been discovered that the selected models provide a robust capability to reliably predict the financial collapse of Palestinian firms several years in advance. There is a clear agreement among the results of the targeted models. In contrast, the Altman model has superior accuracy in prediction. Shadry and colleagues (2021) conducted a study to examine the importance of effectively identifying and handling risks by employing financial risk management. Proper detection and management are crucial in preventing financial catastrophe. This also highlights the significance of early detection of indicators of financial distress to prevent financial collapse. When a failure of this nature occurs, it often results in severe financial ruin. Financial failure can result from various situations. A lack of effective financial resource management is a significant contributing element. Due to the insufficient management, the company would struggle to achieve a harmonious equilibrium between its expenditures and its earnings. Consequently, the group will be unable to cover its expenses. To resolve this problem, it is crucial for businesses to implement a strong risk management system. This will enable them to anticipate potential financial setbacks and efficiently mitigate risks.

In 2021, Othman and Ismail did an analytical investigation. An examination was conducted on the models that enable the forecasting of financial risk. Following a series of inquiries, they scrutinized the results. They reached several distinct conclusions. The researchers concluded that it is crucial to educate the general population about the importance of financial risk prediction. This prediction is beneficial for achieving a balance between maximizing investment opportunities and generating profits, while also managing risks effectively. During the subsequent analysis, it was found that incorporating non-financial variables can enhance the accuracy of models used to predict financial risks. A further study demonstrated that employing neural network models in forecasting enables more precise anticipation of probable financial hazards. Kalash and Bahloul (2021) specifically examine the significance of financial analysis in managing financial risks and forecasting potential financial collapse. They provided novel insights on several financial metrics. They offered elucidation on three distinct prediction models, specifically Sherrod, Kida, and Altman. By employing those models, they acquired information about the financial status of the Great Balghaith Mills Corporation. They utilized the data found in the financial records from 2016 to 2018. They reached the conclusion that the models precisely forecasted the collapse of the financial system. In light of these conditions, the firm must implement efficient risk management strategies. Kliestik et al. (2020) examined and contrasted the financial ratios employed in the models of countries undergoing economic transformation. Aside from considering financial ratios and the country of origin, the main objectives of the study are to predict the financial progress of an organization and identify any possible national interdependencies that may be present. A comprehensive analysis was conducted on over four hundred prediction models derived from the Czech Republic, Hungary, Poland, Romania, Latvia, Lithuania, Estonia, Russia, Croatia, Ukraine, Slovak Republic, and Belarus. The investigation's outcomes indicate that various country groups exhibit a predilection for specific financial ratios when developing models to forecast financial crises. These variations occurred due to the volatile

political, market, and economic conditions that were present in each group of countries. In 2018, Abu Shihab undertook an experiment to assess the predictive ability of the Kida Model in forecasting financial collapse in companies listed on the Amman Stock Exchange. The latter approach was chosen for fifty-two enterprises that had either been recommended for liquidation or had completed their activities. Furthermore, this applied to a total of fifty-two distinct corporations that were currently operational and had not been suggested for liquidation. The second researcher discovered that the Kida Model accurately predicted financial collapse and referral to liquidation in eight of the enterprises that were examined in the study. Eight out of the fifty-two companies included were affected by this. The Kida Model failed to yield the anticipated outcomes for two distinct enterprises. The Kida model has been discovered to effectively predict the probability of a company's financial collapse. As a result, the latter model has the capability to identify alterations or issues related to finances. When evaluating the financial well-being of organizations, it is beneficial, although not entirely reliable, to have this information available. The objective of Almansour's (2015) study was to construct a predictive model capable of anticipating the financial collapse of Jordanian firms. The sample consists of twenty-two Jordanian public joint stock businesses, including both bankrupt and non-bankrupt ones. The information was obtained throughout the period from 2000 to 2003. These were acquired from the pertinent financial records that were accessible. Several indicators, including the current assets to current liabilities ratio, the working capital to total assets ratio, the sales to total assets ratio, and the retained earnings to total assets ratio, can be utilized to predict the probability of financial failure or bankruptcy in Jordanian public joint stock companies.

Methodology

Approach

After a thorough discussion, it was decided to utilize the descriptive analytical approach. The researcher employed this method to examine the financial ratios of the chosen enterprises undergoing liquidation in Jordan. A study with a strong resemblance to this one was conducted with the Kida model.

Population

A study is being presented that focuses on a demography that accurately represents the Jordanian public joint stock enterprises.

Sample

An analysis was conducted on the financial statements of five Jordanian public joint stock firms that were either in the process of being liquidated or had already been liquidated. The analysis covered the three years leading up to their liquidation. These companies were either in the process of being dissolved or were in the liquidation process. The companies are listed in the specified order:

The researcher obtained the necessary data for this study from the Securities Depository Center, which is situated within the Amman Financial Market. The researcher employed the Kida Model

to anticipate any probable financial setbacks. The approach employed to reach this conclusion involved analyzing the financial ratios of the chosen organizations and assessing the value of Z. This was done to determine the probability that those businesses would be incapable of fulfilling their financial responsibilities before undergoing the liquidation procedure. Here is the equation that includes the intended model:

Data collection methods

-Secondary data sources: Secondary sources refer to knowledge that is found in study and publications.

-Primary data sources: The financial statements of the sampled companies, which include five Jordanian public joint stock companies undergoing liquidation or in the process of liquidation, present these findings.

Results

The outcomes Regarding Question Q.1, can the utilization of financial analysis models to mediate financial failure prediction result in a decrease in financial risks?The Kida model was used to identify Z values and financial ratios. Their selection was predicated on their capacity to predict the financial collapse of the chosen publicly traded corporations over the last three years before to their dissolution. Table No. 2 includes the accessible Z values.

Table (2): The Z Factor Value Applying the Kida Model to Predict Failure

Company	1.042X1	+0.42X2	-0.461X3	-0.463X4	+0.271X5	= Z Value
1	-0.107	2.302	-1.150	-1.613	0.015	-0.42
	-0.378	1.048	-0.401	-1.438	0.015	-0.80
	-0.532	0.648	-0.247	-0.313	0.007	-0.54
2	-0.178	3.752	-1.195	-0.112	0.000	0.79
	-0.930	2.840	-1.334	-0.486	0.004	-0.62
	-0.206	1.881	-0.638	-0.045	0.004	0.26
3	-0.131	4.345	-37.226	-0.689	0.185	-15.74
	-0.278	1.760	-2.341	-0.553	0.185	-0.84
	-0.228	0.967	-2.666	-0.410	0.299	-1.17
4	-0.197	10.776	-9.592	-2.261	0.030	-1.14
	-0.091	8.395	-7.731	-1.594	0.221	-0.81
	-0.153	9.543	-6.004	-0.963	0.026	0.64
5	0.009	8.274	-3.881	-0.045	0.133	1.71
	-0.020	8.236	-3.653	-0.035	0.055	1.75
	-0.070	6.767	-3.800	-0.251	0.011	0.90

The findings displayed in Table 2 indicate that the Z values of the sampled companies are predominantly negative, except for the fifth business listed. The Z value for the sixth company is positive. The cumulative losses incurred by these enterprises finally led to their demise. Based on the Kida model, Table 2 shows that the Z values of the sampled companies are all negative, except for the fifth business. The sixth corporation has a positive Z value. The aggregation of losses incurred by these enterprises finally led to their dissolution. The Kida model can be utilized to forecast a company's financial collapse by considering the many financial risks that the corporation faces. In other words, financial models enable organizations to anticipate probable financial catastrophes in advance. Forecasted to anticipate the impending financial downfall of a corporation by considering the multitude of financial hazards that the company is vulnerable to. In other words, financial models enable organizations to anticipate probable financial catastrophes in advance.

Results Related to the Second Question

Q.2. Can the financial failure of the companies being liquidized be predicted through financial analysis models?

Based on the findings reported in table 3, regression analysis was conducted to ascertain the feasibility of using financial analysis models to predict the financial collapse of firms undergoing liquidation.

Table (3): The Results of Regression

	Sum of Squares	df	Mean Square	F	Sig
Regression	244.037	5	48.807	8615967.041	0.000(a)
Residual	.000	9	.000		
Total	244.037	14			

The F test has a mean value of 8615967.0. When the statistical significance threshold is set at $\alpha \leq 0.05$, the p-value is determined to be 0.000, indicating a very significant result. The study findings suggest that financial analysis models can be used to predict the financial collapse of enterprises now undergoing liquidation. These findings suggest that financial analysis models can be used to predict the financial failure of enterprises undergoing liquidation.

Conclusion:

The findings indicate that there are measurable indicators that can be used with financial analysis models to predict the financial collapse of a corporation. The foundation of these models is based on the study of the financial facts and indicators of the firms that are the focus. This will help mitigate the financial risks faced by the targeted businesses during the attack.

Recommendations:

The researcher who conducted the current investigation says

- Mandating that publicly traded joint stock corporations conduct routine monitoring of financial failure indicators to prevent the development of financial losses.
- Research should be undertaken to ascertain the efficacy of various models in detecting cases of financial insolvency.

References

Abu Alia, Moez, Sawafta, Karam, Qabalan, Bilsan, Badarna, Tamer. (2021) The extent of agreement of the Altman and Sherrod models to predict the financial failure of industrial companies listed on the Palestine Stock Exchange. An-Najah University Financial Conference.

Abu Shehab, Ezzat (2018) The effectiveness of the Kida model in predicting financial failure in joint-stock companies listed on the Amman Stock Exchange. Master's thesis, Middle East University.

Al-Ghoussein, welcome. (2004). Using financial ratios to predict corporate failure: an applied study on the contracting sector in the Gaza Strip. Using financial ratios to predict corporate failure: an applied study on the contracting sector in the Gaza Strip.

AlHamdani, R. I., Yasen, T. Y., & Qatan, A. (2013). Using model Sherrod to measure the financial failure of a public company for the manufacture of medicines and medical supplies in Nineveh.

AL-Anbar University journal of Economic and Administration Sciences, 5(10), 449-473. Almansour, Bashar (2015). Empirical Model for Predicting Financial Failure. American Journal of Economics, Finance and Management. 1(3), 113-124

Al-Momani, Munther, and Shwayat, Ziyad (2007). The auditor's ability to detect indicators of doubt about customer continuity: <http://repository.aabu.edu.jo/jspui/handle/123456789/662>

Al-Murshidi, Abbas Alwan Sharif. (2018). Using the Sherrod model to predict the financial failure of private commercial banks in Iraq -applied research in a sample of banks listed on the Iraq Stock Exchange. Journal of University of Babylon for Pure and Applied Sciences, 26(1), 253-275.

Al-Qaisi, Ahmed Fares. (2016). Do models based on financial ratios have a predictive ability to distinguish between distressed and non-distressed companies?: A comparative study between a model derived from the financial ratios of Jordanian industrial companies and the Altman model Dirasat: Administrative Sciences, 161 (3532), 1-23.

Al-Rifai, Hashim (2017). Predicting corporate default using the Altman model: a study on industrial companies listed on the Amman Stock Exchange. Middle East University.

Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. The journal of finance, 23(4), 589-609. Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. COSO framework & SOX compliance: One approach to an effective transition, pp.1-8.

Hillson, D., (2017). Managing risk in projects. Routledge.

Hull, J., (2018). Risk management and financial institutions, Fifth Edition. John Wiley & Sons

Kalash, M., & Bahloul, N. a. (2021). The role of financial analysis in managing financial risks and predicting financial failure -a case study of the Grand Balghaith Mills Corporation, Souk Ahras. Journal of Research in Finance and Accounting, 6(1), 270-287

Kamal, Youssef (2014). Financial default, stages, causes, methods, and treatment procedures. Posted on the Arab Forum for Resource Management: <https://hrdiscussion.com/hr87429.html>

Khayyat, Zahraa (2014). Using the sherrord model to predict bank failure, an applied study on a sample of private banks in Nineveh Governorate for the period (2007-2009).

Rafidain Development, 36(115), 9-20.

Kliestik, T., Valaskova, K., Lazaroiu, G., Kovacova, M., & Vrbka, J. (2020). Remaining Financially Healthy and Competitive: The Role of Financial Predictors. *Journal of Competitiveness*, 12(1), 74–92. <https://doi.org/10.7441/joc.2020.01.05>

Mansor, M., Sabri, M. F., Mansur, M., Ithnin, M., Magli, A. S., Husniyah, A. R., Mahdzan, N. S., Othman, M. A., Zakaria, R. H., Mohd Satar, N., & Janor, H. (2022). Analysing the Predictors of Financial Stress and Financial Well-Being among the Bottom 40 Percent (B40) Households in Malaysia. *International journal of environmental research and public health*, 19(19), 12490. <https://doi.org/10.3390/ijerph191912490>of Sponsoring Organizations of the Treadway Commission (COSO)

Othman, Hossam, Ismail, Tariq (2021) An analytical study of financial risk prediction models for business establishments. *Academic Journal of Contemporary Business Research –Volume 1 Issue 1*.

Shawqi, Habi, and Na'eemah, Baroodi (2023). Predicting Financial Failure for Listed SMES Using The Altman Model : A Sample From Malaysia. *Albasha'er Alektisadeyah journal*. 9(2), 151-166 <https://www.asjp.cerist.dz/index.php/en/article/230873>

Shudry Muammar, S., Zawawi, F., & Harozi, K. (2021). The role of financial risk management and early warning in predicting the financial failure of an organization. *Journal of Accounting, Auditing and Finance*, 2(2), 68-77

Zhao, Yu., Huaming, Du., Qing, Li., Fuzhen, Zhuang., Gang, Kou., (2023) A Comprehensive Survey on Enterprise Financial Risk Analysis from Big Data Perspective. arXiv:2211.14997v3 [q-fin.RM] 5 May 2023.