

Two Approaches to Bankruptcy Prediction In Agricultural Firms and the Vegetative Cycle of Crops

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Abstract:

This paper makes a foray into the study of the prediction of bankruptcy of agricultural firms, taking two different approaches: (i) according to the financial condition and (ii) according to the growing season of the crops. Based on the bankruptcy predictors used in the seminal models of Altman (1983,1993), Ohlson (1980) and Zmijewski (1984), the first findings of this study highlight the importance of the profitability ratios EBIT to Total Assets and ROA (Return on Assets) in the discrimination between firms healthy and bankrupt. The second findings suggest that the ratio that measures the relationship between sales and assets of agricultural firms presents relevant differences depending on the vegetative cycle of the crops, despite the non-differentiation of this predictor according to the financial health of firms. Concerning the ratio that measures the relationship between working capital and assets, the tests point to significant differences in both approaches in this study.

Keywords: Bankruptcy Prediction, Agriculture, Credit Risk

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