



Predicting Solvency of Non-Banking Financial Institutions in Bangladesh by Using Springate & Fulmer Model

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Abstract

Prediction of financial distress is a significant issue for any company. At present Non-Banking Financial Institutions (NBFIs) represent one of the most important parts of a financial system in Bangladesh. NBFIs contribute a lot to the GDP growth of Bangladesh. So, it has become very essential for the companies to predict the insolvency in advance for taking their important decisions for the betterment. The purpose of this paper is to predict the solvency and the factors that have an impact on the solvency by analyzing the financial statements for a period of 5 years(2013 to 2017) of 20 Dhaka Stock Exchange (DSE) listed Non-Banking Financial Institutions (NBFIs) including asset finance or leasing companies, investment finance companies and housing finance companies of Bangladesh by using Fulmer H score model and Springate Z score model. The findings indicate that according to Fulmer Model few sample NBFIs are in risky zone and according to Springate model all the sample NBFIs are in distress zone. The study suggests that according to the context of Bangladesh Fulmer H Score model is more appropriate compared to Springate Z Score model for predicting solvency.

Keyword: Solvency, Non- Banking Financial Institution, Z score, H score.