

CAMELS Rating System and Forecasting the Financial Failure in the Turkish Commercial Banking Sector

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Abstract

Banking supervisory agencies around the world have been utilizing CAMELS rating system (or variants) for many years. In this study, financial ratios were used to calculate representative CAMELS ratings and components for 1996 - 2000. The financial ratios, which were used to calculate the CAMELS components, were utilized to predict the transfer of commercial banks in 2001 to the SDIF by the use of discriminant analysis, logistic regression and neural network models. Findings of the study presented that it was not possible to predict the transfer of a bank to SDIF by the use of CAMELS ratios.

Keywords: CAMELS, Financial Failure Prediction

JEL Classification: G17, G21, G33

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