


Impact Factor: **1.3**

5-Year Impact Factor:

By clicking “Accept Non-Essential Cookies”, you agree to the storing of cookies on your device to enhance site navigation, analyze site usage, and assist in our marketing efforts. [Privacy Policy](#) [Cookie Policy](#)

[Manage Cookies](#)[Accept Non-Essential Cookies](#)[Reject Non-Essential Cookies](#) Contents More

Abstract

Focusing on the recent failure of the Federal Deposit Insurance Corporation (FDIC) insured banks, this study examines the likelihood of failure of banks (in and out of sample testing). This study examines the predicted variable. The CAMELS ratings from bank examinations are not released to the public because of regulatory concerns over potential bank runs. To the extent that such ratings provide timely information to banks, our lagged proxies are less likely to be effective predictors of bank failure. However, we find that proxies for each of the six categories of CAMELS—capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to interest rates—are significantly associated with the probability of bank failure when examined individually. Nearly all measures maintain their significance when examined collectively. These results should aid investors, customers of commercial banks, and also regulators to better assess the risk of bank distress in the future.



Get full access to this article

View all access and purchase options for this article.

[Get Access](#) 

References

Altman E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *Journal of Finance*, 23, 589-609.

[Crossref](#)[Web of Science](#)

[Web of Science](#)

[Google Scholar](#)

Altman E. I., Saunders A. (1998). Credit risk measurement: Developments over the last 20 years. *Journal of Banking & Finance*, 21, 1721-1742.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Barker D., Holdsworth D. (1993). *The causes of bank failures in the 1980s* (Research Paper No. 9325). New York: Federal Reserve Bank of New York.

[Google Scholar](#)

Beaver W. H. (1968). The information content of annual earnings announcements. *Journal of Accounting Research*, 6, 67-92.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Berger A. N., Udell G. F. (1995). Relationship lending and lines of credit in small firm finance. *Journal of Business*, 68, 351-381.

[Crossref](#)

[Google Scholar](#)

Boyd J. H., Chang C., Smith B. D. (1998). Moral hazard under commercial and universal banking. *Journal of Money, Credit, and Banking*, 30, 426-467.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Cole R. A., Gunther J. (1998). Predicting bank failures: A comparison of on- and off-site monitoring systems. *Journal of Financial Services Research*, 13, 103-117.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Cole R. A., White L. (2012). Déjà vu all over again: The causes of U.S. commercial bank failures this time around. *Journal of Financial Services Research*, 42, 5-29.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Cole R. A., Wu Q. (2010, August 1). *Is hazard or probit more accurate in predicting financial distress? Evidence from U.S. bank failures*. 22nd Australasian Finance and Banking Conference 2009. Retrieved from <http://ssrn.com/abstract=1460526>

[Google Scholar](#)

Diamond D. W. (1984). Financial intermediation and delegated monitoring. *Review of Economic Studies*, 84, 393-414.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Diamond D. W. (1997). Liquidity, banks and markets. *Journal of Political Economy*, 105, 928-956.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Federal Deposit Insurance Corporation. (2000-2012). *Quarterly banking profiles*. Available from <http://www2.fdic.gov/qbp/qbpSelect.asp?menuitem=QBP>

[Google Scholar](#)

Federal Deposit Insurance Corporation 2010 *Annual Report*. Retrieved from http://www.fdic.gov/about/strategic/report/2010annualreport/index_pdf.html

[Google Scholar](#)

Hirtle B. J., Lopez J. A. (1999). Supervisory information and the frequency of bank examinations. *Federal Reserve Bank of New York Economic Policy Review*, 5, 1-20.

[Google Scholar](#)

Kolari J., Glennon D., Shin H., Caputo M. (2002). Predicting large US commercial bank failures. *Journal of Economics & Business*, 54, 361-387.

[Crossref](#)

[Google Scholar](#)

Martin D. (1977). Early warning of bank failure: A logit regression approach. *Journal of Banking & Finance*, 1, 249-276.

[Crossref](#)

[Google Scholar](#)

Rotheli T. F. (2010). Causes of the financial crisis: Risk misperception, policy mistakes, and banks' bounded rationality. *Journal of Socio-Economics*, 39, 119-126.

[Crossref](#)

[Google Scholar](#)

West R. C. (1985). A factor-analytic approach to bank condition. *Journal of Banking & Finance*, 9, 253-266.

[Crossref](#)

[Web of Science](#)

[Google Scholar](#)

Similar articles:



Restricted access

[Bargain Purchase Gains in the Acquisitions of Failed Banks](#)

Show Details ▾



Restricted access

[Financial Performance Evaluation of Small Finance Banks: A CAMEL Analysis](#)

Show Details ▾



Restricted access

[Does Bank Failure Affect Client Firms? Micro Evidence from Estonia](#)

Show Details ▾

[View More](#)

Sage recommends:

SAGE Knowledge

Book chapter

[Federal Deposit Insurance Corporation: 550 17th St. N.W., Washington, DC 20429: Internet:](#)

Show Details ▾

SAGE Knowledge

Entry

[Federal Deposit Insurance Corporation](#)

Show Details ▾

SAGE Knowledge

Book chapter

[Federal Deposit Insurance Corporation](#)

Show Details ▾

[View More](#)

You currently have no access to this content. Visit the [access options](#) page to authenticate.

[View full text](#) | [Download PDF](#)

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Sage Research Methods

Multimedia learning resources

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services