



Corporate financial distress: The case of publicly listed firms in an emerging market economy

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Abstract

Occurrences of financial distress (*FD*) are not readily obvious yet can span several periods. This paper examines episodes of *FD* using industry-relative (IR) firm-/ accounting-, market- and macro-level information. Mixed logit regressions reveal that firm- and market-based measures, as well as macro-level variables explain the likelihood of *FD* in 263 publicly listed non-banking firms in the Philippines during the period 1995 to 2018. Rates of identification of firms in financial distressed states of close to 69 percent are obtained at a cutoff probability of 0.30 in the model with time-varying intercept and slope. This study shows the importance of recognizing heterogeneous firm behavior. The ability to more accurately predict the probability of *FD* and to determine the financial health of firms can help financial institutions in allocating funds and policy makers in predicting crises episodes.

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