

Kernel based classification for financial failure: A comparative study for Turkish banks

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Classification of banks as weak and strong is crucial to the entire economic system. Therefore various classification methods were proposed using either parametric or non-parametric approaches. In this study kernel based support vector machines were applied on longitudinal financial ratios to discriminate between weak and strong banks. The success status of the banks was used as the dependent variable whereas the financial ratios were used as independent variables. For the comparison of the modelling performances the classification measures were used. It was concluded that kernel based support vector machines is a very promising approach for bank classification studies with an appropriate kernel choice.

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