Role of financial analysis in predict failure: field study on industrial corporations in the State of Kuwait.
Done by: Shoug Ahmed Al Wadani
Supervised by: Dr. Najdat Yaro

Abstract

What affects companies continuity, is the extent to which the company is able to predict and to detect signs of financial failure. The current wave of financial failure of many financial and industrial companies, mainly, because of the global financial crises, have shown that no company, regardless of its size, nature of it's activity, is immune from the effect of.
The financial crises, but the extents to which the company will be affected by these crises depend on the company's ability to early detection of the signs and causes of these crises, so that the company can plan and prepare itself to take preventative and corrective measures and actions.
Financial analysis in general and the new trends of it, in particular has been considered one the most important and effective tools that help companies in detecting the early signs of financial failure, which help the company to diagnose causes of the failure, this will enable the financial manager to take corrective actions in a proper time.
The state of Kuwait started to concentrate on it's industrial sector aiming to increase the productivity of this sector, in order for this sector to be able to provide new sources of income very much needed to finance the economic development of the country, rather than relying entirely on the oil sector as a source of fund for investment.
It was this what prompted the researcher to investigate, through a field study the extent to which, the Kuwaiti industrial companies rely on financial analyses, to predict possible financial failure of the company.
The researcher has reviewed the concepts of financial analysis and the new models of the financial analysis; the researcher has also evaluated many previous studies in this respect concerning the concept and the nature of the financial failure, its causes and methods of remedy.
This field study relied on the data collected from a sample of industrial companies, through a questionnaire 38 corporations whose stock listed
On the Kuwait stock exchange.
The researcher has reached at several conclusions among of these conclusions, for example, is that the majority of companies are aware of the importance of financial
analysis as an assistance tool to the management for early prediction of financial failure, but most of these companies do not apply the new trends of financial analysis to help them to predict the early signs of any financial failure and it's effect on the company itself and the company's stake holders.

The most important recommendation of the researcher is the necessity for the industrial companies operating in the state of Kuwait to rely on experts in the field of financial analysis specially the new trends of it, in order to be able to predict and to detect the early signs of the failure, and this suppose to be done through establishing a data base containing the data and information needed to determine the signs of financial failure and to take necessary steps to prevent it and to minimize the adverse effects of such failure.