FINANCIAL DISTRESS PREDICTION MODEL OF FAMILY FARMS
Summary of the Doctoral Dissertation (Social Sciences, Economics, Agricultural Economics)

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The performed scientific studies have shown that financial distress prediction could be applied for the prevention of family farms bankruptcy. Strategically and socially, agriculture is an important part of the economy which managed to create the added value during a period of economic recession. It is important to work efficiently not only for large family farms or agricultural cooperatives but also for small and medium-sized family farms. Despite large allocations to farms from the European Union (EU) funds, farms are still failing. In order to purposefully use the EU agricultural support, it is necessary to have a preventive tool – a model of financial distress prediction.

Bankruptcy and financial distress prediction models proposed by a researcher cannot directly be applied for predicting financial distress in the agricultural business due to the specificity of agricultural activity and the status of a family farm. For the lack of information on family farm bankruptcies, only financial distress can be analysed as an economic phenomenon, while models of its prediction need to be designed by employing specific indicators that are typical exceptionally of the agricultural business. This is the reason why the dissertation is intended for diagnosing the financial situation of family farms and developing a financial distress prediction model, while the scientific problem is formulated as follows: what factors determine the financial situation of a family farm and how to predict the financial distress of family farms?

The aim of the research: after making the analysis and synthesis of the financial distress concept and identifying the factors which determine the financial situation as well as related indicators and prediction models, to justify the methods and design a model of financial distress prediction in family farms. In addressing the problem of dissertation, it highlights and defines the term “financial distress” and its relationships with other similar terms, for instance, insolvency, financial difficulties, bankruptcy, and liquidation. Explanation of the financial distress concept is associated with the phenomenon of “statics-dynamics”.

The financial distress prediction model consists of two main stages – diagnosis of the family farm’s financial situation and prediction of the financial distress of a family farm. It has been found that the financial situation of family farms can be diagnosed using financial distress score which is developed by the dissertation author as a tool for diagnosis of the family farm’s financial situation by using 12 financial ratios that describe the family farm’s stability, solvency, profitability, effectiveness. The financial distress score is a dependent variable in family farm’s financial distress prediction.

A financial distress prediction model can be directly applied for the farmer. The farmer using the financial information can make a diagnosis of farm financial situation in order to predict the likelihood of a financial distress.

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