

Chapter 8

Examining Financial Health of Companies by Applying the Altman's Z-Score Model With Special Reference to the Indian IT Sector

Mayur Ajaykumar Waghmare

 <https://orcid.org/0009-0004-2243-3699>

Indira Institute of Management, India

Sonali Suresh Shrotri

 <https://orcid.org/0009-0001-5895-2675>

Indira Institute of Management, India

ABSTRACT

The research presumes an in-depth assessment of the financial standing of the Information Technology sector, adopting the model of Altman Z-score for analysis of 14 renowned IT companies. This study articulates the core importance of financial stability for the Information Technology firms, especially considering volatile market conditions and galloping technological changes. By calculating the Z-scores and their financial ratios the evaluation and interpretation are drawn, to justify financial position of these companies. To strengthen the perfection of financial analysis, statistical tests like Z-test and Shapiro-Wilk test, were utilized for the assessment of data normality. By demonstrating the relevance of the Altman Z-score, the result shows important aspects of financial stability and potential weaknesses of IT com-

DOI: 10.4018/979-8-3373-1404-4.ch008

panies. The research proves that Z-score model predictive strength and accuracy, provides mighty support for evaluating financial health in various hurdles faced by IT companies.

1. INTRODUCTION

1.1. Introduction of Company

In the constantly-changing field of the Information Technology (IT) sector, financial steadiness is required to maintain competitive environment and sustainable growth. By assisting in overcoming hurdles of market demands and change in economy, evaluation of financial health becomes necessary for IT companies. The research focuses on 14 renowned IT companies, by applying the Altman Z-score as accurate and proven model for predicting bankruptcy and financial position. It precisely emphasis on financial assessment of the data, which provides a complete overview of financial health.

The Altman Z-Score model, usually applied beyond several industries, work as predictive tool in analysis. By evaluating the Z-Scores and analyzing their financial ratios such as profitability, liquidity, solvency, and leverage, for these selected companies to check their financial stability. In addition, statistical tests such as the Z-Test, and the Shapiro-Wilk test were used for assessment of data normality. The methods used during this research for distribution of data provides the detailed analysis, which strengthens the reliability and sustainability of Z-score model. The research objectifies to exhibit how predictive tools, similar to the Altman Z-score approach, can help to disclose the IT companies' financial health and future developments. By evaluating detailed patterns and outcomes derived from statistical tests, planning strategies and risk management can be done within the IT sector. The study highlights the usefulness of Altman's Z-score model in the specific industries it applies to and its importance and future prediction ability in today's empirical world. It justifies that this model is still a creditworthy tool for measurement of company's financial health and forecasting, even by assisting new overcoming hurdles.

The 14 IT companies which were selected for the research for the purpose of research to analyze the financial position and the associated risk for decision making are such as:

- Infosys Ltd.-

Infosys Ltd. is one of the leading IT companies, which is providing the IT services and consulting. It was established in 1981, headquartered in Bangalore, and

22 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/examining-financial-health-of-companies-by-applying-the-altmans-z-score-model-with-special-reference-to-the-indian-it-sector/391445

Related Content

The Psychological Impact of the COVID-19 Outbreak Among Healthcare Workers: The Crucial Role of Psychological Functioning in Preventing Burnout

Vittorio Lenzo, Alberto Sardella and Maria C. Quattropani (2022). *Handbook of Research on Healthcare Standards, Policies, and Reform* (pp. 108-127).

www.irma-international.org/chapter/the-psychological-impact-of-the-covid-19-outbreak-among-healthcare-workers/302487

Waste Management Legislation

(2023). *Innovations in Environmental Legislation and Justice: Environmental and Water-Energy-Food Nexus Laws* (pp. 118-132).

www.irma-international.org/chapter/waste-management-legislation/322040

The Use of Faith in Legislative Decision-Making: Bill Sponsorship

(2017). *Impacts of Faith-Based Decision Making on the Individual-Level Legislative Process: Emerging Research and Opportunities* (pp. 63-91).

www.irma-international.org/chapter/the-use-of-faith-in-legislative-decision-making/181008

Integrated Early Intervention for Children With Comorbid Deafness and Behaviour-Learning Deficits

Hammed Gbenga Adewale and Kelechi Uchemadu Lazarus (2026). *Policies and Issues in Deaf Studies and Education* (pp. 517-552).

www.irma-international.org/chapter/integrated-early-intervention-for-children-with-comorbid-deafness-and-behaviour-learning-deficits/402332

Creating a Climate of Fear: The Case of Las Vegas

(2021). *Examining Gun Regulations, Warning Behaviors, and Policies to Prevent Mass Shootings* (pp. 35-52).

www.irma-international.org/chapter/creating-a-climate-of-fear/270967