

USING ARTIFICIAL NETWORK FOR ASSESSING EQUITY INVESTMENT IN BANKS

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ABSTRACT

In assessing a company for the purpose of a possible investment, investment ratios are used to detect an improving or declining trend, which can be useful to shareholders and the would-be investors. This paper shows the application of artificial neural network for a dichotomous classification problem in assessing equity investments in banks. Kohonen map is the neural network model used. The performance of Kohonen map is highly evaluated by training the network with a set of five financial ratios data collected from different banks organisations that are either viable or not viable. The already trained network is then taken through a viability test by some test set of financial ratios to determine whether a bank is viable or not so that an individual or a corporate existence will be able to determine whether to invest in such a bank or not. The results also show the degree of viability of a bank provided by a pie chart.

Keywords: Kohonen maps, artificial neural network, financial ratios, equity investment etc.