ABSTRACT

There is no suitable financial distress prediction model for companies in Indonesia. This research aims to develop an accurate financial distress prediction model for non-financial companies in Indonesia. This study also identifies which ratios significantly influence the formation of the prediction model.

This research utilizes secondary data obtained from the financial statements of non-financial companies in all sectors listed on the Indonesia Stock Exchange during the period from 2015 to 2023. The sampling method used in this study is purposive sampling, with the criterion being companies experiencing financial distress in Indonesia, resulting in 456 samples categorized into two groups: companies experiencing financial distress and healthy companies. The analytical method employed is discriminant analysis using IBM SPSS 26 software.

The results of the study indicate that the developed model has a relatively high accuracy rate of 80.9%, and there are 9 financial ratios that significantly influence the formation of the financial distress prediction model in Indonesia.

Keywords: financial distress, discriminant analysis, financial ratios