ABSTRACT

This study aims to develop a technique using binary logistic regression to predict financial distress of listed manufacturing companies in Indonesia Stock Exchange, utilized publicly available data from annual reports for a period covering the 2012 to 2016 financial years. Independen variable in this study using Altman 1968 financial ratios, and about the influence of Working Capital to Total Asset Ratio, Retained Earning to Total Asset Ratio, Earning Before Interest and Taxes to Total Asset Ratio, Market Value of Equity to Total Liabilities Ratio, Sales to Total Asset Ratio to the Financial Distress as the dependent variable.

The sample collection technique has been done by using purposive sampling and 8 companies have been selected as samples. The analysis technique using binary logistic regression analysis.

Analysis of the statistical testing result indicated that the prediction accuracy of the model is 95.0%. The result showed that the ratio of Market Value of Equity to Total Liabilites and Sales to Total Asset that affect to Financial Distress. These variables are having more explanatory power to predict Financial Distress in manufacturing company. However other factor such as Working Capital to Total Asset, Retained Earning to Total Asset, Earning Before Interest and Taxes to Total Asset not affect Financial Distress.

Keyword : Altman Z-Score, Financial Distress, Binary Logistic Regression