ABSTRACT

This study aims to analyze the factors influencing the likelihood of publicly listed companies in Indonesia being classified as Zombie Firms during the 2016–2024 period, as well as to provide an understanding of their implications for capital market stability. The Zombie Firm phenomenon first emerged in Japan during the lost decade and reappeared in Europe after the global financial crisis, when many unproductive firms continued to survive due to bank credit support and loose monetary policies. This condition created market distortions, hindered economic efficiency, and posed a serious challenge to financial stability. The independent variables examined in this study include the Interest Coverage Ratio (ICR), Leverage (debt ratio), Profitability (Return on Equity/ROE), and Firm Size, with Zombie Firm status as the dependent variable.

The research method employs logistic regression analysis on panel data using a fixed effect model, based on 8,091 observations of non-financial companies listed on the Indonesia Stock Exchange. The results show that ICR, ROE, and firm size have a significant negative effect on the probability of being classified as a Zombie Firm, while leverage has no significant effect. These findings confirm that efficiency in servicing interest expenses, higher profitability, and larger firm scale reduce the risk of being a Zombie Firm, whereas high leverage has not been proven to be a determining factor. The implications of this study provide insights for investors, management, and regulators to strengthen structural policies, monitor Zombie Lending practices, and enhance corporate competitiveness in Indonesia's capital market.

Keywords: Zombie Firms, Logistic Regression, Interest Coverage Ratio, Leverage, Return on Equity, Firm Size, Indonesia.