ABSTRACT

This study aims to examine the effect of return on equity, debt to equity ratio, gross profit margin, and net profit margin on financial distress. Sample of this study used a mining company that listed on Indonesia Stock Exchange during 2012-2015. This research was made because there are differences in results between studies with each other.

To obtain valid results of this research, sampling technique used in this research is purposive sampling method so that obtained sample as many as 22 companies with 88 observation. The method of analysis used is logistic regression analysis method.

The results of this research show that gross profit margin and net profit margin had a significant negative effect on financial distress. While return on equity and debt to equity ratio have no significant effect to financial distress. In addition, the coefficient value of Nagelkerke's R Square is 92.2%. This means that 7.8% is explained by other variables outside the model.

Keywords: Financial distress, return on equity, debt to equity ratio, gross profit margin, and net profit margin