ABSTRACT

This study aims to examine whether financial ratios have an influence on financial distress. The dependent variable in this study is financial distress which is measured using a dummy variable. The independent variables in this study are CAR, NPL, ROA, ROE and capital structure. In addition, this study also uses the Altman model to determine the level of bankruptcy in banks.

The population of this study are 40 banks listed on the Indonesia Stock Exchange, and the sample used in this study are 40 banks throughout 4 years (2015-2018) and the number of observation used are 160 observations. This study uses secondary data sourced from the banking financial statements listed on the Indonesia Stock Exchange in 2015-2018. This study also uses dummy variables to find out which banks are healthy and unhealthy. Hypothesis testing of this study was carried out using logistic regression analysis and SPSS 23 software.

This study provides statistical results that show that the CAR ratio has a negative and significant effect on financial distress, ROA has a negative and significant effect on financial distress and the capital structure has a positive and significant effect on financial distress. Whereas NPL and ROE do not have an influence on financial distress.

Keywords: financial distress, capital adequacy ratio, non-performing loans, return on assets, return on equity, capital structure, and the Altman mode