ABSTRACT

The purpose of this study was to determine the effect of Current Ratio (CR), Return on Equity (ROE), Return on Assets (ROA), Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Total Assets Turnover (TAT) on the financial distress prediction of islamic banks in Indonesia with Net Profit Margin (NPM) as control variable. Financial distress is proxied by Altman Z-Score as a measure of companies financial health level that divided into 3 categories.

This study used secondary data retrieved from Islamic banks' annual reports listed on Otoritas Jasa Keuangan (OJK) during the period 2014-2018. The number of samples were 12 bank taken by purposive sampling method, resulting in a total of 60 observations. This study uses logistic regression method with the IBM SPSS 20 program analysis to examine the probability of financial distress in the sample bank.

The results of this study indicate that CR, ROA, and DER have a negative and significant effect on the posibility of financial distress. Meanwhile, the results of ROE, DAR, and TAT indicate that there is no significant effect on the financial distress prediction.

Keywords: *Financial Distress, Current Ratio, Return on Equity, Return on Assets, Debt to Assets Ratio, Debt to Equity Ratio, Total Assets Turnover, Net Profit Margin*