

ABSTRACT

The telecommunications company with the largest market capitalization in Asia is a major player in the telecommunications industry in the Asian region. However, in the highly competitive telecommunications industry, these companies also face significant financial distress risks due to various factors, including financial risk, operational risk, lending interest rate, company size, and inflation. Therefore, it is important to understand the factors that contribute to financial distress in order to take appropriate steps to manage these risks.

This study aims to analyze the influence of financial risk, operational risk, lending interest rate, company size, and inflation on the likelihood of financial distress in 10 telecommunications companies with the largest market capitalization in Asia. This study uses financial data from the 10 telecommunications companies with the largest market capitalization in Asia over the past 10 years. The sample used in this study consists of telecommunications companies from various countries in Asia, including Indonesia, China, Japan, India, Singapore, Taiwan, and Hong Kong.

This study employs a descriptive quantitative method, which involves the use of numerical and statistical techniques to generate information for drawing conclusions aimed at providing a systematic description or overview and establishing relationships among the phenomena under investigation. Secondary data collected from the financial reports of telecommunications companies listed on the Asian stock exchanges is utilized. The study adopts a panel data type with purposive sampling. Logistic regression analysis is employed to examine the relationship between independent variables (financial risk, operational risk, lending interest rate, company size, and inflation) and the dependent variable (financial distress).

Descriptive statistical analysis shows that financial risk, lending interest rate, company size, and inflation have a mean value greater than the standard deviation, meaning that the variation or distribution of data tends to be concentrated around the mean value. While operational risk has a standard deviation that is relatively high compared to the mean value, this means that the data has significant variations, the data distribution tends to be wider, or there are one or several data points that are far from the average value.

The study findings indicate that lending interest rate has a significant negative impact on financial distress. Additionally, inflation has a significant positive influence on financial distress. However, financial risk, operational risk, and company size did not have a significant impact on financial distress in the largest telecommunications companies in Asia during the period 2013–2022.

Keywords : financial distress, financial risk, firm size, inflation, lending interest rate, operational risk, telecommunication company.