ABSTRACT

Banking institutions are an important component in the development of a country's economy. The stability and effectiveness of the bank's function as a lender of loans needs to be considered. The variation in the amount of credit disbursed during 2014-2022 tends to decrease, especially during the pandemic period in 2020-2021. The loans provided should be able to generate benefits for the bank, which is reflected in the operating profit. The trend line for the number of banks that recorded negative operating profit increased during 2014-2022, indicating the presence of non-performing loans and a decrease in bank interest income. This condition is a sign of a weak performance of the bank in collecting loan repayments from customers, thus affecting its financial performance. Bank operational risks will also arise, one of which will lead to financial distress.

Financial distress through survival analysis on banking companies with several factors is the main objective of this study. The use of independent variables covering financial and non-financial aspects in this study consists of the Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio, bank size, and the rating scores of the implementation of Good Corporate Governance.

The research design is causal and explanatory to understand the influence of the independent variable on the dependent variable. The research phenomenon is examined through a case study method of banking companies listed on the Indonesia Stock Exchange during 2014-2022. Secondary data collection was carried out using purposive sampling technique which resulted in 36 bank samples from 47 bank populations listed. The research time is a cross-sectional type because researcher observes independent variables simultaneously at a certain time.

Research findings based on statistical results found that the Capital Adequacy Ratio and bank size have a significant effect on financial distress. While the ratio of Non-Performing Loan, Loan to Deposit Ratio, and the rating scores of Good Corporate Governance implementation have no significant effect on financial distress. Based on the survival function and hazard function graphs, the chance of bank companies experiencing financial distress decreases after 8 years.

Future research can be conducted on different objects such as digital banks, Islamic banks, or rural banks. The use of other independent variables that include macroeconomic conditions such as interest rates and bank profitability such as Net Interest Margin can be considered for future research. In addition, other variable indicators regarding bank financial ratios such as the ratio of Liquid Assets to Third Party Funds to measure liquidity, or the Loan at Risk ratio to measure credit risk can be used for future research.

Keywords: *corporate governance, financial distress, financial ratios, survival analysis*