

ABSTRACT

The banking sector plays an important role in supporting a country's economic stability by acting as a financial intermediary that manages public funds and channels them into productive sectors. In the ASEAN-5 region (Indonesia, Malaysia, Singapore, Thailand, and the Philippines), banks face significant challenges due to external pressures and global economic dynamics. One major threat is financial distress, a condition in which companies struggle to meet their financial obligations, potentially affecting operational continuity and the stability of the financial system.

This study aims to analyze the effect of non-performing loans (NPL), net interest margin (NIM), capital adequacy ratio (CAR), and inflation on the likelihood of financial distress in publicly listed banking companies in ASEAN-5 countries, with return on assets (ROA) as a control variable.

This research uses a descriptive quantitative approach with logistic regression analysis. The sample consists of 68 banking companies over the 2017–2023 period, totaling 476 observations. Data were obtained from annual reports, the IMF website, Statista, and Refinitiv. The analysis was conducted using IBM SPSS Statistics 27.

Descriptive analysis shows that most banks did not experience financial distress, as indicated by positive EBIT. The average NPL remained within the acceptable limit and tended to be homogeneous, while NIM showed variations in profitability among banks. CAR generally exceeded the minimum regulatory requirement, reflecting strong capital adequacy. Inflation fluctuated across countries and years but remained relatively stable. ROA showed a wide distribution, indicating differences in operational efficiency among banks.

The research findings show that all variables simultaneously have a significant effect on financial distress. Partially, NPL has a positive effect on financial distress, while NIM has a negative effect. Meanwhile, CAR and inflation do not show significant influence.

Keywords: *financial distress, financial ratios, inflation*