What makes the banks survive distress? Financial performance analysis of Indonesian Banking

Farida Titik Kristanti

Department of Accounting, Faculty of Economics and Business, Telkom University
Jl. Telekomunikasi, Terusan Buah Batu, Bandung, 40257, Indonesia

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ABSTRACT

Financial Distress is an undesirable condition for a company. To improve, it is necessary to know the factors affecting financial distress. This research aims to find out the determinants of banking financial distress. 41 banks were taken as samples based on the purposive sampling. The survival cox proportional hazard analysis method used found evidence that macro indicators (inflation and economic growth) had a significant effect on the banks' financial distress. This implies that the government as a regulator must maintain the level of growth and inflation that stabilize the economy so that banks can avoid financial distress. As for the banks' management, they have an obligation to support government policies in maintaining growth and inflation.

Keywords: bank, financial distress, survival analysis