

The Effect of Risk Profile, Good Corporate Governance, Earnings, and Capital on Financial Distress (In Banking Sub-Sector Companies Listed on the Indonesia Stock Exchange)

¹Shofi Maharani, ²Sugiharti Binastuti

Gunadarma University,

Faculty of Economics Gunadarma University Jl. Margonda Raya No. 100, Depok 16424, West Java

¹shofimhrn20@gmail.com, ²tuti@staff.gunadarma.ac.id

Abstract

Financial distress is a condition when a company experiences a financial crisis and fails to meet debtor obligations because it does not have the funds to continue its business. This study aims to examine and analyze the effect of risk profile, good corporate governance, earnings and capital partially on financial distress in financial service companies in the banking sub-sector listed on the Indonesia Stock Exchange for the period 2017-2020. The independent variables used in this study are capitalLoan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio while the dependent variable is financial distress. The population in this study is the financial sector service companies of the banking sub-sector listed on the Indonesia Stock Exchange for the period 2017-2020. Sampling was done by purposive sampling method. Based on the purposive sampling method, the samples obtained were 25 companies. The analytical method used is multiple linear regression. The results showed that partially the independent variablesLoan to Deposit Ratio, Return on Assets and Capital Adequacy Ratio had an effect on financial distress, while Good Corporate Governance had no effect on financial distress. SimultaneouslyLoan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio have an effect on financial distress.

Keywords: Risk Profile, Good Corporate Governance, Earning, Capital and Financial Distress

1. INTRODUCTION

The current pandemic phenomenon is attacking the world, starting from China at the end of 2019 and then this virus is called Coronavirus Disease (Covid-19), at the beginning of 2020 is one of the events that has an impact on the world's economy. Overall economic activity experienced a slowdown. Various sectors of the economy will experience a decline. This pandemic phenomenon raises concerns about the spread of the virus outbreak to human resources, which are strategic assets for the entire industry. It is very possible that many companies will experience big losses so that it will threaten bankruptcy.

The progress of a country is very closely related to the country's economic system. The good or bad of a country's economy will have an impact on the progress and welfare of society. Likewise, poor economic conditions, which usually begin with financial difficulties which cause a number of companies to go bankrupt, usually begin with financial distress. One of the impacts of the financial crisis was that there were several delisted companies listed on the Indonesia Stock Exchange, and was marked by a decline that stopped the company's operational activities.

A bank is a company whose activities collect funds such as current accounts, savings deposits and other deposits from parties with excess funds, then place them back to people who need funds through the sale of financial services which in turn can improve the welfare of the people at large (Taswan, 2010). While banking is everything related to banks, including institutions, business activities, as well as methods and processes in carrying out their business activities. The function of banking is to collect funds from the public and channel funds back to the community with the goal of improving people's lives.

The purpose of establishing a company is to want its business to always be a going concern and avoid bankruptcy, one of which is a banking company. The Covid-19 pandemic situation has caused negative economic turmoil not only in a country or region, but on a global scale which has created economic turmoil. Actually, bankruptcy does not happen suddenly but can be predicted beforehand. Financial distress starts from the lightest where the company will experience short-term liquidity difficulties. However, if these financial difficulties are not resolved immediately, it will result in a greater impact of financial difficulties, so that unwanted things will occur, namely bankruptcy.

It can be said that a bank that has the highest level of soundness is a bank that is able to carry out its functions in order to maintain public trust, attract investors, carry out monetary policy, and facilitate cross-payments. Bank Indonesia again issued a new regulation regarding the Soundness Level of Commercial Banks, namely the RGEK method which has a risk profile aspect, namely an assessment of the soundness level of a bank to carry out its operational activities so that it is able to apply the quality of bank risk management

(PBI No.13/1/PBI/2011). The second aspect is corporate governance (GCG), namely bank rules or policies to achieve organizational/company goals (Zarkasyi, 2008). The third aspect of profitability is the bank's ability to earn profits.

According to Bank Indonesia Regulation No. 13/ 1/ PBI/ 2011 risk profile, namely the risk of assessing the soundness of a bank in carrying out bank operational activities in implementing banking risk management to maintain bank quality. In the management of risk management consists of eight risks. However, in this study the risk used is liquidity risk with a proxy ratio of Loan to Deposit Ratio. Furthermore, according to Suot, Koleangan, Indrie (2020) states that the Loan to Deposit Ratio has an effect on predicting financial distress. If the value of the Loan to Deposit Ratio is too high, it means that the bank does not have sufficient liquidity to cover its obligations to customers (DPK). Conversely, if the value of the Loan to Deposit Ratio is too low, it means that the bank has sufficient liquidity but may have a lower income, because as is well known, the banking world obtains income through channeled credit.

Another aspect that affects financial distress is corporate governance. Corporate governance is an assessment of the quality of management of a bank for the implementation of the principles of Good Corporate Governance, this principle is guided by the provisions of Bank Indonesia regarding the implementation of Good Corporate Governance for commercial banks by taking into account the characteristics and business of the bank. Good Corporate Governance in its measurement uses the Self Assessment method. According to Ermar & Suhono (2021) states that Good Corporate Governance has no effect on financial distress. The better the implementation of the corporate governance mechanism, the bank will be in a good or healthy monitoring condition, so that it will improve the performance of the bank concerned and reduce the occurrence of financial distress in a company.

Another aspect that affects financial distress is profitability. Profitability is an important assessment for banks because profitability is used to measure the soundness of a bank in obtaining profits or profits. The ratio used to measure the soundness of a bank is Return On Assets. According to Haq and Harto (2019) stated that Return On Assets has an effect on financial distress. The greater the value of Return On Assets, the better the ability of banks to generate profits, conversely the smaller the value of Return On Assets, the less good is the ability of banks to generate profits.

The next aspect that affects financial distress is capital. Capital is capital owned by a bank based on the bank's minimum capital adequacy requirement. Capital has an indicator, namely the capital adequacy ratio, the capital adequacy is used to anticipate potential losses according to the risk profile accompanied by very strong capital management in accordance with the characteristics, business scale and complexity of the bank's business. In this study, variable capital is proxied by the Capital Adequacy Ratio. According to Suot, Koleangan & Indrie (2020) states that the Capital Adequacy Ratio affects financial distress. The higher the value of the Capital Adequacy Ratio shows the company is in a healthy condition, so that it will reduce the possibility of a bank in a state of financial distress because high capital indicates low risk. Conversely, a lower CAR indicates a company in an unhealthy condition, so there will be a possibility that the bank will be in a state of financial distress. The research objectives of the researchers were to find out and analyze 1) The effect of the Loan to Deposit Ratio on financial distress in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. 2) The effect of Good Corporate Governance on financial distress in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. 3) The effect of Return on Assets on financial distress in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. 4) The effect of the Capital Adequacy Ratio on financial distress in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. 5) The effect of the Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio on financial distress in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020.

2. LITERATURE REVIEW AND HYPOTHESIS

Banks and Financial Distress

Bank is a company whose activities collect funds and then place them back to people who need funds through the sale of financial services that can improve people's welfare. While banking is everything related to banks, including institutions, business activities, as well as methods and processes in carrying out their business activities.

Banks also have functions, namely; According to Budisantoso, Totok & Nuritomo (2014) the main function of a bank is to collect funds from the public and channel them back to the community for various purposes or as a financial intermediary. Specifically, a bank can function as: (1) Agent of trust: The main basis of banking activities is trust. People will want to deposit their funds in the bank because of trust. The bank will also channel the funds to the debtor because of an element of trust. (2) Agent of development: Bank activities in the form of collecting and distributing funds enable the public to carry out investment activities, distribution activities, as well as consumption activities of goods and services. The smooth distribution of consumption investment activities is an activity of economic development of a society. (3) Agent of services:

Financial distress can be interpreted as the company's inability to pay its financial obligations at maturity which causes financial difficulties for the company (Darsono & Ashari, 2005). The condition of a bank experiencing financial distress will make investors experience losses. In addition, it can also affect the economy in a country (Santoso, 2017). It is very necessary for a company or bank to anticipate the occurrence of financial distress, namely by detecting it early, as banking institutions need to analyze their financial condition, so that they know whether the condition of the bank is in a healthy, unhealthy condition, or experiencing an unhealthy condition.

According to a Circular Letter, Bank Indonesia stipulates a Bank Rating System by issuing Bank Indonesia Regulation Number: 13/1/PBI/2011 concerning the Rating System for Commercial Banks. The regulation introduces the RGEC system (Risk Profile, Good Corporate Governance, Earnings and Capital) as a new method for assessing the soundness of a bank.

Loan to Deposit Ratio

According to (Afriyeni & Fernos, 2018) Loan to Deposit Ratio is a ratio that measures a bank's ability to meet short-term obligations (can be called liquidity) by dividing total credit to total Third Party Funds (DPK). If the value of the Loan to Deposits Ratio is too high, it means that banks do not have sufficient liquidity to cover their obligations to customers (DPK). Conversely, if the value of the Loan to Deposits Ratio is too low, it means that the bank has sufficient liquidity but may have lower income.

$$LDR = \frac{\text{Total Kredit}}{\text{Dana Pihak Ketiga}} \times 100\%$$

H1: Loan to Deposit Ratio Influencing Banking Company Financial Distress

Good Corporate Governance

Good Corporate Governance is a bank governance that applies the principles of transparency, accountability, responsibility, independence, and fairness which aims to improve the quality of bank management and operations in order to seek profit (Fathonah, 2016). The better the implementation of the corporate governance mechanism, the bank will be in good monitoring conditions, so that it will improve the performance of the bank concerned so that it can reduce the tendency for financial distress conditions in a company (Kuncoro & Agustina, 2017).

H2: Good Corporate Governance Influencing Banking Company Financial Distress

Return on Assets

Return on Assets is used to measure the ability of bank management to obtain profits generated from the total assets of the bank concerned. Return on Assets shows the company's effectiveness in generating profits by optimizing its assets. The higher the profit generated, the higher the Return on Assets, which means that the company is more effective in using assets to generate profits.

$$ROA = \frac{\text{EAT}}{\text{Assets}} \times 100\%$$

H3: Return on Assets Influential Against Banking Company Financial Distress

Capital Adequacy Ratio

The Capital Adequacy Ratio is a bank performance ratio to measure the adequacy of the bank's capital to support assets that contain or generate risk. This ratio is an important factor for banks in the context of business development and accommodating losses. The higher the Capital Adequacy Ratio, the higher the performance of a bank. This is because an increased Capital Adequacy Ratio will result in greater total assets so that financial distress will decrease. If the Capital Adequacy Ratio is lower, it means that the bank has less capital to cover risky assets, so it is more likely that the bank will experience a problematic condition because the bank's capital is not sufficient to bear the decline in the value of risky assets.

$$CAR = \frac{\text{Capital}}{\text{ATMR}} \times 100$$

H4: Capital Adequacy Ratio Influencing Banking Company Financial Distress

Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio

Financial Distress is used to reflect problems with liquidity that cannot be answered or resolved without having to change the scale of operations or restructure the company. Improper management of short-term financial difficulties (inability to pay financial obligations at maturity) will lead to bigger problems, namely the occurrence of an imbalance (the amount of debt is greater than the amount of assets) and eventually

bankruptcy. Some of the variables that are thought to affect a company's financial distress are: Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio.

H5: Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio Influencing Banking Company Financial Distress

3. METHOD

Measurement

The research objects used in this study are the Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio and the research subjects used are banking sub-sector service companies listed on the Indonesia Stock Exchange for 2017-2020. The population in this study were all service companies in the financial sector, the banking sub-sector, which were listed on the Indonesia Stock Exchange. The sample used in this study is a banking sector company that has certain criteria. The sampling technique was carried out by purposive sampling with the aim of obtaining a representative sample according to the specified criteria. the samples in this study were 25 companies or 100 samples.

4. RESULTS

Data Processing and Descriptive Statistics

Descriptive statistics provide an overview or description of a data seen from the average value (mean), standard deviation, variance, maximum, minimum. In this study descriptive statistics will describe the description of each variable.

Table 1

Descriptive Statistics					
	N	Minimum	Maximum	Means	std. Deviation
LDR	100	,17	1.63	,8485	,22633
GCG	100	1.00	3.00	1.8700	,70575
ROA	100	,00	,04	,0198	,00953
CAR	100	,13	,66	,2367	,07861
FIN. DISTRESS	100	,56	3,28	1.5089	,52459
Valid N (listwise)	100				

Source: Processed Data (SPSS 25 Output)

Data Normality Test

The normality test aims to test whether the regression model, independent variables and dependent variables both have a normal distribution or not. Normality testing will be carried out by testing the Kolmogorov-Smirnov with a significance level of 0.05.

Table 2

Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		100
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,24054521
Most Extreme Differences	Absolute	,066
	Positive	,056
	Negative	-,066
Test Statistic		,066
Asymp. Sig. (2-tailed)		,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed Data (SPSS 25 Output)

Based on the results of the normality test using the Kolmogorov Smirnov test, using original data of 100 data it was found that the test has a significance of the Kolmogorov Smirnov test having a significant value of 0.200. If the hypothesis is formulated, H0 is normally distributed residual data, and H1 is not normally distributed residual. Then H0 is accepted if the significant value is > 0.05 and H0 is rejected if the significant value is <0.05. Based on the table above, it shows that the significance = 0.200 is greater than the significant level of 0.05, this indicates that H0 is accepted, which means that the residual data has been normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent (independent) variables in the regression model. Testing whether or not multicollinearity exists in the regression model can be done by looking at the tolerance value and the variance inflation factor (VIF) value. If the value of the variance inflation factor (VIF) is > 10 or tolerance < 0.1 , then symptoms of multicollinearity are stated to occur, conversely if the value of variance inflation factor (VIF) is < 10 or tolerance > 0.1 then symptoms of multicollinearity are stated to not occur.

Table 3
Multicollinearity Test Results
Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	std. Error	Betas			tolerance	VIF	
1	(Constant)	-,353	,135					
	LDR	,388	,117	,167	3.305	,001	,862	1,160
	GCG	-.027	,061	-.061	-,449	,655	,737	1.358
	ROA	10,538	2,785	,191	3,784	,000	,864	1.157
	CAR	2,093	,355	,314	5,892	,000	,781	1,281

a. Dependent Variable: FIN. DISTRESS

Source: Processed Data (SPSS 25 Output)

From the table above it can be seen that the VIF value for the LDR variable is 1.160, GCG is 1.358, ROA is 1.157 and CAR is 1.281. The tolerance value for the LDR variable is 0.862, GCG is 0.737, ROA is 0.864 and CAR is 0.781. For all tolerance values on independent variables > 0.1 and VIF values < 10 . This indicates that in this study there was no multicollinearity. So, it can be concluded that there is no strong relationship between the independent variables in the regression equation.

Autocorrelation Test

Autocorrelation aims to test whether a linear regression model has a correlation between confounding errors in period t and errors in period $t-1$ (previous).

Table 4
Autocorrelation Test Results
Summary model

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	,889a	,790	,781	,24556	1,076

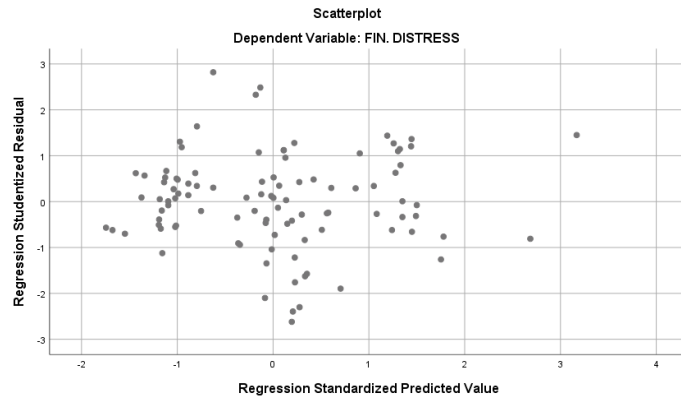
a. Predictors: (Constant), CAR, LDR, ROA, GCG
b. Dependent Variable: FIN. DISTRESS

Source: Processed Data (SPSS 25 Output)

Based on the results of the table above, the Durbin-Watson value (count DW) is 1.076. From the predetermined criteria, it can be seen that Durbin-Watson has a number between -2 to $+2$. Thus it can be concluded that the variables used do not experience autocorrelation.

Heteroscedasticity Test

This test aims to determine whether in the regression model there is an inequality of variance from one residual observation to another. The regression model is good if the variance from one residual to another observation remains (homocedasticity), so that heteroscedasticity is not identified. Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph. If the dots form a certain pattern then heteroscedasticity occurs. However, if the points are spread out, heteroscedasticity does not occur.



Source: Processed Data (SPSS 25 Output)

From the Scatterplot graph of the heteroscedasticity test, it can be seen that the points spread randomly and are scattered both above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in this regression model.

Multiregression Equation Interpretation Test Results

Multiple linear regression requires several assumptions so that the model is feasible to use.

**Table 5
Multiple Linear Regressions
Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	std. Error	Betas			
1	(Constant)	-.353	,135		-2,618	,010
	LDR	,388	,117	,167	3.305	,001
	GCG	-.027	,061	-.061	-.449	,655
	ROA	10,538	2,785	,191	3,784	,000
	CAR	2,093	,355	,314	5,892	,000

a. Dependent Variable: FIN. DISTRESS

Source: Processed Data (SPSS 25 Output)

Based on Table 5, the regression model is obtained with the following equation:

$$FD = -0.353 + 0.388 LDR - 0.027 GCG + 10.538 ROA + 2.093 CAR$$

Simultaneous Hypothesis Test (Statistical Test F)

To find out whether a regression model is feasible or not, it is necessary to carry out a feasibility test through statistical testing. If the F value is significant at the 5% profitability level, it is stated that the regression model is feasible to use.

**Table 6
Simultaneous Hypothesis Test (Statistical Test F)**

ANOVA						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	21,515	4	5,379	89,204	,000b
	residual	5,728	95	,060		
	Total	27,244	99			

a. Dependent Variable: FIN. DISTRESS

b. Predictors: (Constant), CAR, LDR, ROA, GCG

Source: Processed Data (SPSS 25 Output)

Based on Table 4.8 Simultaneous Test Results (F Test) obtained Significant F 0.000. Sig. Value F 0.000 < 0.05, it can be said that H5 is accepted and H0 is rejected. It can be concluded that variable Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio affect financial distress simultaneously.

Partial Hypothesis Test (Partial Test t)

The t statistical test was conducted to test the effect of the independent variables on the dependent variables individually. This can be seen from the significant value of t resulting from the calculation. If the significant value $t < \text{significant level (0.05)}$ then the independent variables individually affect the dependent variable, conversely if the significant value $t > \text{significant level (0.05)}$ then the independent variables individually do not affect the variables.

Table 7
Partial Hypothesis Test (Statistical Test t)

Model		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	-,353	,135		-2,618	,046
	LDR	,388	,117	,167	3,305	,005
	GCG	-,027	,061	-,061	-,449	,655
	ROA	10,538	2,785	,191	3,784	,000
	CAR	2,093	,355	,314	5,892	,000

a. Dependent Variable: FIN. DISTRESS

Source: Processed Data (SPSS 25 Output)

The results of the t test in table 7 can be explained as follows:

1. Based on the results of the t test above, it shows that the coefficient of the regression model has a constant value of -0.353 with a calculated t value of -2.618 and a sig. of 0.046. A constant of -0.353 indicates that if the independent variable is constant, the average financial distress is -0.353.
2. Based on the results of the t test above, it shows that the Loan to Deposit Ratio variable has a t count of 0.388 with a sig value. of 0.005. This value indicates that Loan to Deposit Ratio significantly influence financial distress. So it can be concluded, that the hypothesis (H1) which reads "Loan to Deposit Ratio effect on Financial Distress" is accepted. This is because the Loan to Deposit Ratio variable affects Financial Distress. getting higher Loan to Deposit Ratio shows the riskier condition of bank liquidity, on the contrary the lower Loan to Deposit Ratio shows the lack of effectiveness of banks in extending credit so that it affects the bank's income. If the bank's income is low, the possibility of financial distress will be even higher. The results of this study are in line with the results of research conducted by Sumantri and Jurnal (2010) which state that Loan to Deposit Ratio positive and significant effect on financial distress.
3. Based on the results of the t test above, it shows that the Good Corporate Governance variable has a t count of -0.449 with a sig. of 0.655. This value indicates that GCG has no significant effect on financial distress. So it can be concluded that the hypothesis (H2) which reads "Good Corporate Governance affects financial distress" is rejected. This is because the GCG variable has no effect on financial distress. Companies that have good governance and management will provide more signals to internal and external parties so that information asymmetry does not occur, such as so that investors are not wrong in choosing stocks to invest. The better the implementation of the corporate governance mechanism, the bank will be in good monitoring condition, so that it will improve the performance of the bank concerned and reduce financial distress conditions in a company (Kuncoro & Agustina, 2017). These results are consistent with research by Kuncoro & Agustina (2017) which proves that good corporate governance has a negative effect on financial distress.
4. Based on the results of the t test above, it shows that the variable Return of Assets has a count of t3,784 with sig. by 0,000. This value indicates that ROA has a significant effect on financial distress. So it can be concluded that the hypothesis (H3) which reads "ROA has an effect on financial distress" is accepted. This is because the ROA variable affects financial distress. the higher the ROA, the higher the Financial Distress and conversely the smaller the ROA, the lower the Financial Distress. The results of this study are in line with the results of research conducted by Sofiasani (2016) which states that ROA has a positive and significant effect on financial distress.
5. Based on the results of the t test above, it shows that the Capital Adequacy Ratio variable has a t count of 5,892 with sig. by 0,000. This value indicates that CAR has a significant effect on financial distress. So it can be concluded that the hypothesis (H4) which reads "CAR has an effect on financial distress" is accepted. This means that most banking companies have not been able to manage their capital so that banks can experience depreciation of assets arising from problem assets, the higher the CAR indicates the company is in a healthy condition, so that it will reduce the possibility of banks in financial distress because high capital indicates risk. The low one. Conversely, a lower CAR indicates that the company is in an unhealthy condition, so there will be a possibility that the bank will be in a state of financial distress because low capital indicates high risk.

Determination Coefficient Test (R2)

The coefficient of determination (R2 test) is used to measure the extent or strength of the model's ability to explain the dependent variable. The strength of the influence of the independent variable on the dependent variable can be seen from the magnitude of the coefficient of determination which is between zero and one or the R2 value ranges from 0 – 1.

Table 8
Determination Coefficient Test (R2)

Summary model				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	,889a	,790	,781	,24556
a. Predictors: (Constant), CAR, LDR, ROA, GCG				
b. Dependent Variable: FIN. DISTRESS				

Source: Processed Data (SPSS 25 Output)

Based on table 8 above, the results of the Coefficient of Determination Test obtained the Adjusted R Square value in the research regression model of 0.781. This shows that the small ability of the independent variable in explaining the variance of the variable is very limited, the independent variable is Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio to the dependent variable namely financial distress which can be explained by this equation model is 78.1% while the remaining 0.219 or 21.9% is influenced by other factors such as Financing to Deposit Ratio (FDR), Operational Expenses on Operating Income (BOPO) and other variables not included in this regression model (Jumirin & Harmono, 2018).

CONCLUSION

Now this research has shown the evidence and it is related whether the ratio Loan to Deposit Ratio, Good Corporate Governance, Return on Assets and Capital Adequacy Ratio can be used to determine Financial Distress as an early warning of bankruptcy at commercial banks listed on the IDX in 2017-2020. During the last 4 years, several banking companies in Indonesia have proven to be unhealthy and indicated bankruptcy, because in that 4 year period there was an event that had a significant impact on the world economy. This can be theoretically implied this research provides information for further study.

Loan to Deposit Ratio effect on financial distress, means that this study can be used as a discussion for bank management to make a statement that intensity Loan to Deposit Ratio greatly affect financial distress, the higher Loan to Deposit Ratio, the higher the company experiences Financial Distress. Therefore, banks must pay attention to the composition of the loan amount and the amount of third party funds in the statement of financial position in order to avoid bankruptcy. This can be done by improving the bank's performance by increasing its position. Third Party Funds must be increased by using third party funds, so Loan to Deposit Ratio the bank could be smaller. This is because the credit growth rate is higher to bring it into balance with the third party funds rate. Thus, the level of bank liquidity remains stable and, therefore, stable does not exceed the limit set by Bank Indonesia regarding the maximum value of the Bank to the value of Loan to Deposit Ratio

Return on Assets affects financial distress, meaning that this research can be used as a discussion for bank management to make a statement that the intensity of Return on Assets greatly affects financial distress. The lower the value of Return on Assets in the company, the smaller the profit earned by the bank, the greater the probability of financial distress. Conversely, the higher the value of Return on Assets in the company, the greater the profit earned by the bank, so that the probability of financial distress will be smaller. by the bank, so that the probability of financial distress will be smaller.

The Capital Adequacy Ratio has an effect on financial distress, meaning that this research can be used as a discussion for bank management to make a statement that the intensity of the Capital Adequacy Ratio greatly affects financial distress. The higher the value of the Capital Adequacy Ratio in a company, it shows that the company is in a healthy condition because it has high capital, conversely the lower the value of the Capital Adequacy Ratio, it shows the company is in an unhealthy condition because it has low capital which can cause financial distress. Therefore, banks must pay attention to company capital by properly managing and maintaining their capital so that banks do not experience depreciation of assets arising from problem assets.

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