

ABSTRACT

The purpose of this study is to identify predictors of corporate financial distress using financial ratio with discriminant analysis and logistic regression analysis to reveal the comparative predictive and classification accuracies. Financial ratios in this study using liquidity ratio, activity ratio, leverage ratio, and profitability ratio.

The research relies on a sample of 15 non financial distress and 15 financial distress manufacturing companies listed in the Indonesia Stock Exchange over 2007 – 2015 period. These ratios were analyzed using the statistical method known as discriminant analysis and logistic regression to reach the best form financial ratio that can distinguish between financial distress companies and non financial distress companies in the first, second and third year before distress.

The result prove that the logistic regression is found to have higher classification power and predictive accuracy, than the discriminant analysis. The logistic regression analysis and discriminant analysis identifies current ratio, working capital to total asset, total asset turnover as most important predictor.

Keywords : *Financial Distress; Financial Ratios; Discriminant Analysis; Logistic Regression; Manufacture Sector.*