The Effect of Current Ratio, Debt to Equity Ratio, and Return on Assets on Financial Distress

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ABSTRACT

The banking sector is a key driver of economic growth and financial stability, but it remains exposed to various risks that can lead to financial distress. Early detection using financial ratio analysis is therefore essential to strengthen resilience and protect stakeholder confidence. This study aims to examine the impact of financial ratios on financial distress. This study analyzes the current ratio, debt to equity ratio, and return on assets. The employed study methodology is a quantitative technique utilizing secondary data obtained from financial reports. Data were evaluated by multiple linear regression to ascertain both partial and simultaneous impacts of financial ratios on financial hardship. The findings indicate that current ratio, debt equity ratio, and return on assets significantly influence financial strain to some extent. Concurrent testing indicates that the three independent factors collectively exert a significant impact on financial hardship, with a determination coefficient of 75.9%. These findings affirm that effective management of liquidity, debt composition, and profitability is essential in mitigating the risk of financial distress within the banking industry. Practically, banks should actively manage liquidity, debt, and profitability to prevent financial distress.

Keywords*: Current Ratio, Debt to Equity Ratio, Financial Ratios, Financial Distress, Liquidity, Return on Assets.*

ABSTRAK

Sektor perbankan merupakan pendorong utama pertumbuhan ekonomi dan stabilitas keuangan tetapi tetap terkena berbagai risiko yang dapat menyebabkan tekanan keuangan. Oleh karena itu, deteksi dini menggunakan analisis rasio keuangan sangat penting untuk memperkuat ketahanan dan melindungi kepercayaan pemangku kepentingan. Tujuan dari penelitian ini adalah untuk menganalisis pengaruh rasio keuangan terhadap terjadinya financial distress. Rasio keuangan yang digunakan dalam penelitian ini meliputi current ratio, debt to equity ratio, dan return on assets.

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Penelitian ini menggunakan pendekatan kuantitatif dengan memanfaatkan data sekunder yang diperoleh dari laporan keuangan tahunan. Teknik analisis data yang diterapkan adalah regresi linier berganda untuk mengukur pengaruh parsial dan simultan dari ketiga rasio keuangan terhadap financial distress. Hasil analisis menunjukkan bahwa secara terpisah, masing-masing variabel ratio, debt to equity ratio, dan return on assets memiliki pengaruh yang signifikan terhadap financial distress. Uji simultan juga menunjukkan bahwa ketiga variabel independen secara kolektif berpengaruh signifikan terhadap financial distress, dengan nilai koefisien determinasi sebesar 75.9%. Temuan ini memperkuat pentingnya pengelolaan likuiditas, struktur utang, dan profitabilitas yang sehat dalam mengurangi risiko financial distress pada sektor perbankan. Secara praktis, bank harus mengelola likuiditas, utang, dan profitabilitas secara aktif untuk mencegah kesulitan keuangan.

***Kata kunci**: Rasio Lancar, Rasio Utang terhadap Ekuitas, Rasio Keuangan, Kesulitan Keuangan, Likuiditas, Pengembalian Aset.*

INTRODUCTION

The banking sector is a cornerstone of economic growth and stability, serving as a financial intermediary that channels funds into productive activities and promotes inclusion by extending services to diverse groups (Sasmita et al., 2023; Rahayu et al., 2023). Beyond stabilizing the financial system, banks contribute to equitable development and help reduce inequality, making them vital for sustainable growth (Suot & Koleangan, 2020). However, financial distress in banks poses serious risks, as difficulties in meeting obligations can lead to bankruptcy and destabilize the wider economy (Shiyammurti et al., 2023; Siska & Adealyra, 2025). Early detection is thus critical for timely intervention to protect stakeholders and ensure systemic stability (Ummayah & Hertina, 2024). Financial ratios covering liquidity, solvency, and profitability are widely applied for distress prediction (Purwanto et al., 2023; Agustin & Bertuah, 2024; Sapitri & Yusra, 2025). Yet, varying results across studies reflect contextual differences, underscoring the need for sector-specific models (Silalahi et al., 2025).

According to data from the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK), Indonesia's banking industry reached total assets exceeding IDR 10.000 trillion by the end of 2023, with an annual growth rate of approximately 6.4% (OJK, 2024). Despite this positive growth, the sector faces various complex challenges. These include global economic uncertainty, rising inflation, and the need for rapid adaptation to financial system digitalization. Additionally, post-pandemic credit risks remain a concern, particularly given the impact on customers who have not yet fully recovered. The banking sector must also comply with the latest prudential regulations introduced by the authorities. These challenges force the banking industry to continuously innovate, balancing growth with financial resilience, while navigating both domestic and global economic dynamics (Oktafia et al., 2025).

The financial health of banks is critical to sectoral stability, with financial distress defined as difficulties in meeting obligations posing a major threat (Minanari et al., 2024). Unchecked, it can escalate to bankruptcy and disrupt the wider economy. Early detection through financial ratios is therefore essential to safeguard stability and customer trust (Beo & Wulandari, 2024). Financial ratio analysis, widely applied to predict distress, evaluates liquidity, solvency, profitability, and efficiency (Elhoseny et al., 2025). Key measures include the Current Ratio, Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TATO), which respectively assess short-term liquidity, leverage sustainability, profitability, and asset efficiency (Citterio & King, 2023). Continuous monitoring of these indicators enables timely intervention to mitigate financial crises.

Financial ratio data for Bank BCA (2020–2024) reveal notable shifts relevant to assessing potential distress. The current ratio rose from 29.82% in 2020 to 59.21% in 2022 but then plunged to 0.14% in 2023 and 0.13% in 2024, signaling possible liquidity concerns, though this metric is less reliable for banks. The debt-to-equity ratio stayed stable at 18–22%, reflecting conservative leverage. Return on Assets dipped to 2.40% in 2021 during the COVID-19 downturn but recovered to 3.85% by 2024, indicating renewed efficiency. However, total asset turnover declined from 0.08 to 0.06, suggesting weakening asset utilization.

Recent studies highlight the role of financial ratios in predicting bank distress. In Bangladesh, profitability (ROA) and leverage (DOE) significantly influenced distress, while liquidity had little effect (Uddin et al., 2024). In the MENA region, ROA and ROE were negatively linked to distress, though inflation was insignificant (Metwally et al., 2025). Broader models integrating ratios with macroeconomic, governance, and intellectual capital factors achieved higher accuracy (Nguyen et al., 2024; Amaniyah et al., 2025), while machine learning methods such as the time series transformer outperformed traditional models (Sun et al., 2025). Despite these advances, most prior studies emphasize non-banking firms or contexts unlike Indonesia, with limited focus on large banks such as Bank BCA. Generalized models often overlook sector-specific dynamics, leading to inconsistent findings. Thus, developing tailored, context-specific prediction models is essential to strengthen financial distress detection in Indonesian banks and support systemic stability. The research addresses the following question: How do liquidity, solvency, and profitability ratios influence financial distress in Bank BCA. The purpose of this study is to investigate how financial ratios affect Bank BCA's financial hardship between 2020 and 2024.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Current Ratio and Financial Distress

Financial distress is a critical condition marked by severe financial pressure and declining performance, often leading firms to struggle with both short- and long-term obligations. If unresolved, it may escalate into bankruptcy (Sapitri & Yusra, 2025). Early recognition and corrective actions, such as debt restructuring or liquidity improvements, are therefore essential to ensure business sustainability (Purwanto et al., 2023). Financial distress generally reflects a mismatch between liabilities and cash flow capacity, with signs including profit decline, negative operating cash flow, rising debt, and modified audit opinions (Shiyammurti et al., 2023; Alzayed et al., 2023). Beyond firm-level risks, financial distress can erode public trust and disrupt financial stability, highlighting the importance of early detection through financial ratio analysis (Citterio & King, 2023).

The Current Ratio (CR) is widely used to measure liquidity, indicating a company's ability to meet short-term liabilities with current assets (Hamzah et al., 2024). A high CR suggests stability, while a low CR signals potential distress (Herlina & Nugroho, 2024; Mulatsih et al., 2024). Empirical studies by Siska and Adealyra (2025) confirm that CR is significant in Indonesia's retail sector, and higher CR values reduce financial distress risk, consistent with findings that low CR increases bankruptcy probability (Ken Li, 2024). However, its reliability is debated. Research shows that in industries such as heavy construction, external factors like policy and market conditions also shape financial stability (Asiani & Rahayu, 2024; Haryono et al., 2025). Predictive models incorporating CR have gained traction, particularly in banking, but must account for external variables to enhance accuracy (Purwaningsih & Pernamasari, 2024; Ummayah & Hertina, 2024). Thus, while CR remains a key indicator, financial distress analysis requires a broader perspective that integrates both internal metrics and external dynamics.

H1: Current ratio has a significant effect on financial distress.

Debt-to-Equity Ratio and Financial Distress

The Debt-to-Equity Ratio (DER) is a key measure of capital structure, reflecting the balance between debt and shareholder equity (Haryono et al., 2025). It is widely used to assess financial risk, as greater reliance on debt increases vulnerability to financial distress (Sapitri & Yusra, 2025; Shiyammurti et al., 2023). In general, a higher DER indicates stronger dependence on external financing, which heightens the challenges of meeting both short and long-term obligations (Herlina & Nugroho, 2024). Firms with debt-heavy structures are particularly exposed during periods of revenue decline or economic instability, as debt commitments can amplify the risk of bankruptcy (Mulatsih et al., 2024; Hamzah et al., 2024). To mitigate such risks, companies must balance debt and equity while ensuring sufficient capacity to manage liabilities (Agustin & Bertuah, 2024). Effective debt management not only reduces financial distress but also enhances flexibility in adapting to unexpected shocks (Balboula & Shemes, 2025).

A high DER also raises the likelihood of liquidity problems, particularly in times of economic uncertainty (Khuong et al., 2025). Firms with excessive debt loads may struggle to fulfill obligations, which can quickly escalate into bankruptcy (Mahesh et al., 2025). Prudent capital structure management, therefore, plays a crucial role in maintaining resilience (Wibowo et al., 2024). Evidence from the manufacturing sector reinforces these concerns. Companies with high DER often experience declining performance, restricted cash flow, and reduced investment capacity, all of which increase distress risk (Iftinan & Trisnawati, 2023; Karimah & Sukarno, 2023; Megasanti & Riwayati, 2023). Consequently, maintaining a balanced DER is essential to prevent bankruptcy and ensure long-term sustainability (Soesetio, 2023).

H2: Debt-to-equity ratio has a significant effect on financial distress.

Return on Assets and Financial Distress

Return on Assets (ROA) measures a company's efficiency in generating profits relative to its total assets, calculated by dividing net income by total assets (Dash & Dey, 2025; Mahesh et al., 2025). As a key profitability indicator, ROA reflects operational and financial performance, with a declining value signaling inefficient asset utilization, lower profitability, cash flow problems, and heightened risk of financial distress (Haryono et al., 2025; Makuvaza et al., 2025). Maintaining a healthy ROA is therefore critical for sustaining profitability and reducing the likelihood of financial instability. Monitoring this ratio also enables early detection of financial problems and facilitates corrective action.

Low profitability undermines a firm's ability to meet short-term liabilities, as revenues become insufficient to cover costs and debts (Menike, 2025; Silalahi et al., 2025). This condition restricts cash flow, threatens financial stability, and increases the probability of financial trouble (Minanari et al., 2024). If not managed, such issues may escalate into insolvency, underscoring the need for effective cost control and operational efficiency (Hidayat & Bintara, 2025).

A persistently low ROA indicates ineffective asset use, which hampers financing operations, repaying debts, and investing in growth (Alam et al., 2024; Ramzan, 2025). This not only reduces liquidity but also elevates bankruptcy risk (Metwally et al., 2025). Empirical evidence confirms that poor ROA performance heightens financial distress, while improving asset management enhances profitability and stability (Gerged et al., 2022; Kang et al., 2022). Studies further show that low ROA diminishes financial performance, weakens liquidity, and disrupts operational continuity, ultimately increasing bankruptcy risk (Fachrudin & Ihsan, 2021; Shen, 2021; Kozlowski & Puleo, 2021). Over time, insufficient asset returns compromise a firm's ability to repay liabilities, exacerbating financial burdens (Fachrudin, 2021; Rahman et al., 2021; Utami & Muslih, 2022; Sah & Pradhan, 2022). Thus, sustaining strong ROA is essential for maintaining cash flow, fulfilling obligations, and safeguarding long-term viability.

H3: Return on assets has a significant effect on financial distress.

Simultaneous Effect of Current Ratio, Debt to Equity Ratio, and Return on Assets

Financial ratios are fundamental tools for assessing a company's financial condition and performance, providing insights into liquidity, profitability, solvency, and operational efficiency (Syafitri et al., 2023). They support decision-making regarding the management of assets, liabilities, and capital (Purwaningsih & Pernamasari, 2024). Among the most widely used are the Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA), which are particularly relevant for evaluating financial distress in banking institutions. The Current Ratio measures a firm's ability to meet short-term obligations with current assets. An extremely low CR may indicate liquidity problems, signaling difficulty in fulfilling short-term liabilities (Herlina & Nugroho, 2024). In the banking sector, however, this ratio must be interpreted carefully, since banks' assets and liabilities are structurally different from those in other industries. Loans form a large portion of assets, while liabilities are more complex, requiring a broader analysis of financial performance (Gerged et al., 2022).

DER evaluates the proportion of debt to equity in a company's capital structure. A high DER reflects reliance on debt financing, exposing firms to revenue fluctuations and raising default risk (Kang et al., 2022; Tarighi et al., 2022). Such conditions threaten financial stability, limit access to external funding, and heighten distress risk (Mahesh et al., 2025). Maintaining a balanced debt–equity ratio is therefore essential for long-term sustainability (Alam et al., 2024). ROA measures efficiency in generating profits from assets. A low ROA indicates poor asset utilization, reduced profitability, and an increased likelihood of distress (Ramzan, 2025; Hidayat & Bintara, 2025). When CR, DER, and ROA simultaneously show negative trends, they signal liquidity constraints, risky leverage, and weak profitability as early warnings of serious financial problems requiring immediate corrective action (Megasanti & Riwayati, 2023; Soesetio, 2023).

H4: Current ratio, debt to equity ratio, and return on assets have a significant effect on financial distress.

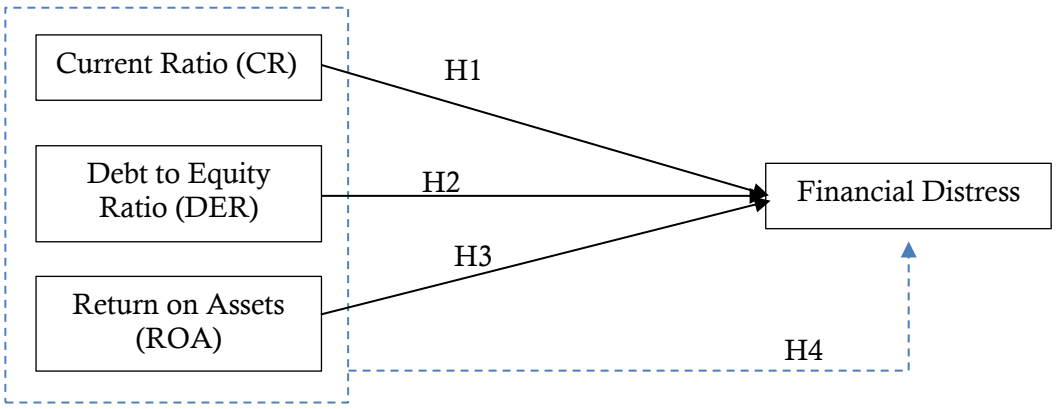

Figure 1. Conceptual Framework

Figure 1 illustrates the conceptual framework linking the independent variables, namely, Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) to financial distress. CR reflects liquidity and a firm's capacity to meet short-term obligations, DER measures the proportion of debt to equity and associated financial risk, and ROA captures asset utilization efficiency in generating profits, together providing a comprehensive view of financial stability (Herlina & Nugroho, 2024). Fluctuations in these ratios can significantly influence the likelihood of financial hardship, as reflected by the Interest Coverage Ratio (ICR), where a low ICR indicates distress. Prior studies emphasize the importance of maintaining adequate liquidity (CR) and asset efficiency (ROA) to avoid crises (Siska & Adealyra, 2025), while highlighting the role of sound

financial management in sustaining profitability and stability (Purnamasari et al., 2023). This framework thus establishes a solid foundation for empirical testing using statistical models such as logistic regression.

RESEARCH METHODS

This study utilizes a quantitative methodology to analyze the impact of financial ratios on financial distress within banking organizations. The research employs secondary data sourced from the yearly financial statements of PT Bank Central Asia Tbk (BCA) for the years 2020 to 2024, available on the official website of the Indonesia Stock Exchange and the company's official site. The independent variables in this study comprise the Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA), which signify liquidity, solvency, and profitability ratios, respectively. The dependent variable is financial distress, evaluated by a qualitative scoring approach, including a reduction in earnings or a minimal return on assets threshold as indicators of distress.

All data used in this study were obtained from publicly available and credible sources, namely the official website of the Indonesia Stock Exchange and the company's official financial reports. Since the study relies solely on secondary data, no direct involvement of human participants was required. Nevertheless, ethical research principles were upheld by ensuring accuracy in data recording, transparency in analysis, and acknowledgment of data sources to maintain the integrity and credibility of the study.

The employed data analysis method is multiple linear regression, designed to ascertain both the simultaneous and partial impacts of CR, DER, and ROA on financial distress. Prior to executing the regression analysis, conventional assumption tests, namely normality, multicollinearity, heteroscedasticity, and autocorrelation, were administered to authenticate the regression model. In addition, the model's validity was examined through measures of goodness-of-fit, including the coefficient of determination (R^2 and adjusted R^2), F-test for overall significance, and t-tests for individual regression coefficients. These tests ensure that the model provides robust and reliable results. Data processing was conducted utilizing SPSS software.

RESULTS

Table 2 presents the financial ratios of PT Bank Central Asia Tbk (BCA) during the period 2020–2024. The indicators are categorized into four main aspects: capital, asset quality, rentability, and liquidity. These ratios provide a comprehensive overview of the bank's financial condition, including its ability to maintain adequate capital buffers, manage asset quality, generate profitability, and ensure liquidity stability. The presentation of these ratios over a five-year period allows for the observation of performance trends and changes that may reflect the bank's resilience in facing both internal and external economic challenges.

Table 1. Financial Ratio Bank BCA

Financial Ratio	Components	2024	2023	2022	2021	2020
Capital	Capital Adequacy Ratio (CAR)	29.40%	29.40%	25.80%	25.70%	25.80%
	CAR Tier 1	28.20%	28.30%	24.80%	24.70%	24.70%
	CAR Tier 2	1.10%	1.10%	1.00%	1.00%	1.00%
	Fixed Assets to Capital	14.70%	15.70%	16.30%	15.90%	18.80%
Assets Quality	Non-Performing Earning Assets to Total Earning Assets	1.00%	1.00%	0.90%	1.10%	1.00%
	Non-Performing Earning Assets to Total Assets	0.90%	0.90%	0.80%	0.90%	0.80%
	Allowance Provision on Assets to Total Assets	2.50%	2.70%	3.00%	2.80%	2.80%
	Non-Performing Loans (NPL) - gross	1.80%	1.90%	1.80%	2.20%	1.80%

Financial Ratio	Components	2024	2023	2022	2021	2020
	Non-Performing Loans (NPL) - not	0.60%	0.60%	0.60%	0.70%	0.70%
	Loan at Risk (LAR)	5.30%	6.90%	10.40%	15.20%	19.70%
Rentability	Return on Assets (ROA)	3.90%	3.60%	3.20%	2.80%	2.70%
	Return on Equity (ROE)	24.60%	23.50%	21.70%	18.30%	16.50%
	Net Interest Margin (NIM)	5.80%	5.50%	5.00%	4.90%	5.00%
	Cost to Income Ratio (CIR)	31.50%	34.10%	35.10%	34.90%	37.40%
	Operating Expenses to Operating Income (BOPO)	41.70%	43.70%	46.10%	54.20%	63.50%
Liquidity	Loan to Deposit Ratio (LDR)	78.40%	70.20%	65.20%	62.00%	65.80%
	Macroeconomic Intermediation Ratio (RIM) (consolidated)	81.50%	73.20%	68.40%	65.00%	68.60%
	Net Stable Funding Ratio (NSFR) (consolidated)	157.30%	168.60%	171.10%	169.70%	169.50%
	CASA to Third Party Funds Ratio (consolidated)	81.50%	80.30%	81.60%	78.60%	81.60%
	Liabilities to Equity Ratio (consolidated)	45.40%	42.00%	44.40%	50.60%	48.20%
	Liabilities to Assets Ratio (consolidated)	81.90%	82.80%	83.20%	83.50%	82.80%
	Liquidity Coverage Ratio (LCR)	323.00%	357.80%	393.50%	56.30%	92.00%

Although not directly shown, the debt-to-equity ratio can be inferred from the relatively stable comparison of total liabilities to equity over the years. This stability indicates that Bank BCA has not pursued an aggressive increase in leverage, thus preventing excessive debt pressure that could lead to distress. Regarding ROA, there has been a consistent increase from 2.7% in 2020 to 3.9% in 2024, demonstrating the bank's growing efficiency in generating profit from its assets. This rise in ROA suggests that BCA's profitability is becoming stronger, thereby significantly reducing the likelihood of financial distress. Even though not all indicators are presented in their standard form, the data imply that Bank BCA maintained a stable and healthy financial condition from 2020 to 2024, with no signs of financial distress.

Table 2 shows that the t-test findings reveal that the t-statistic for the Current Ratio (CR) is 3.999, surpassing the t-table value of 2.028, with a significance level of 0.000 ($p < 0.05$). This results in the rejection of H_0 and the acceptance of H_a, indicating that the Current Ratio (CR) has a significant influence on financial hardship at Bank BCA. An augmentation in the current ratio is likely to diminish the incidence of financial difficulties within the organization.

Table 2. Hypothesis Testing

Variable	B	Std. Error	T-Statistic	Sig.
Constant	0.927	7.107	0.130	0.897
Current Ratio -> Financial Distress	0.753	0.188	3.999	0.000
Debt to Equity Ratio -> Financial Distress	0.643	0.124	4.346	0.001
Return on Assets -> Financial Distress	0.540	0.124	4.344	0.000

The t-statistic for the Debt to Equity Ratio (DER) is 4.346, exceeding the t-table value of 2.028, with a significance level of 0.001 ($p < 0.05$). Consequently, H_0 is dismissed, and H_a is affirmed. This indicates that the DER has a substantial influence on financial turmoil at Bank BCA. Consequently, an elevated DER increases the likelihood of the company experiencing financial strain.

The t-statistic for the Return on Assets (ROA) is 4.344, surpassing the t-table value of 2.028, with a significance level of 0.000 ($p < 0.05$), resulting in the rejection of H_0 and the acceptance of H_a. This indicates that ROA substantially affects financial distress at Bank BCA. An augmentation in ROA signifies more efficacy in deriving returns from assets, hence diminishing the likelihood of financial difficulty.

Table 4. F-Test

Test	Result
F-Statistic	37.697
Sig.	0.000

Table 4 shows the F test. With an F-statistic of 37.697 and a p-value of 0.000 ($p < 0.05$), H_0 is rejected, and H_a is accepted. This indicates that, collectively, the variables Current ratio, debt to equity ratio, and return on assets have a significant impact on financial distress at Bank BCA. Consequently, the regression model used is deemed appropriate and valid for explaining the relationship between the three independent variables and the dependent variable.

Table 5. Coefficient Determination Test

Test	Result
R	0.871
R Square	0.759
Adjusted R Square	0.738

Table 5 shows that the regression model indicates that the current ratio, debt to equity ratio, and return on assets together have a significant and substantial effect on financial distress at Bank BCA, accounting for 75.9% of the variance. The remaining variance is attributed to other factors not included in the model.

DISCUSSION

The study's findings demonstrate that the Current Ratio (CR) significantly influences financial distress at Bank BCA, supporting the hypothesis. This aligns with previous research showing CR as a key liquidity metric, calculated by dividing total current assets by current liabilities, to assess a firm's ability to meet short-term obligations (Eugenio et al., 2023; Ummayah & Hertina, 2024; Siska & Adealyra, 2025). A decline in CR may indicate difficulty in covering liabilities, signaling financial trouble and possible bankruptcy (Shiyammurti et al., 2023; Citterio & King, 2023; Purwanto et al., 2023). Since CR also reflects working capital efficiency, inadequate management of current assets can threaten long-term operations (Rahayu, 2024). Thus, sustaining a healthy CR is vital for financial stability (Purwaningsih & Pernamasari, 2024). Managerially, this implies the need for efficient liquidity management, focusing on cash, receivables, and flexible budgeting to secure resources and mitigate financial distress.

The Debt-to-Equity Ratio (DER) was also found to significantly affect financial distress, consistent with research highlighting the vulnerability of firms with high leverage (Wibowo et al., 2024). Financial distress often arises when debt substantially exceeds equity, creating pressure on financial stability and damaging credibility with creditors (Mahesh et al., 2025; Haryono et al., 2025; Khuong et al., 2025). Elevated DER can lead to higher borrowing costs and restricted financing (Mulatsih et al., 2024; Balboula & Shemes, 2025). Maintaining balance between debt and equity is therefore essential (Herlina & Nugroho, 2024). For Bank BCA, this highlights the importance of prudent debt management, regular ratio monitoring, and transparent communication with creditors to sustain operational stability and long-term growth (Hamzah et al., 2024).

Return on Assets (ROA) was shown to significantly influence financial distress, confirming prior studies that link low ROA to poor financial performance and increased risk of financial trouble (Wahyu et al., 2024; Nugroho & Muid, 2024; Hidayat & Bintara, 2025; Zaenal et al., 2025). Firms with low ROA struggle to generate sufficient revenue to

meet commitments, particularly when burdened by debt (Syafitri et al., 2023; Hasibuan et al., 2023). Low ROA reflects operational inefficiency and weak asset utilization, which undermine financial stability and increase bankruptcy risk (Siswanto et al., 2022; Mega et al., 2024; Eriana & Kurniasih, 2024). To address this, Bank BCA should enhance asset management and operational efficiency, ensuring assets generate adequate profits to cover expenses and obligations. A stronger ROA will improve financial resilience and reduce liquidity risks.

Taken together, the findings confirm that CR, DER, and ROA jointly exert significant effects on financial distress at Bank BCA. This supports evidence that unfavorable liquidity, high debt reliance, and low profitability collectively intensify financial vulnerability (Sah & Pradhan, 2022; Gerged et al., 2022). Banks with low CR, high DER, and low ROA face challenges in short-term financing and long-term resource allocation, raising the risk of financial distress (Kang et al., 2022; Alam et al., 2024; Mahesh et al., 2025). The managerial implications of the findings, which indicate that the CR, DER, and ROA collectively significantly affect financial distress at Bank BCA, highlight the need for careful financial management in structuring the company's finances. For the Current ratio, managers should ensure that liquidity remains at a safe level by closely monitoring current assets and short-term liabilities to avoid challenges in fulfilling obligations. Regarding the debt-to-equity ratio, it is essential to strike a balance between debt and equity to minimize financial risks. Concerning return on assets, managers should focus on improving operational efficiency and asset management to help the bank generate higher profits and maintain long-term financial stability.

CONCLUSION

The study and discussion indicate that financial parameters, including the Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA), substantially influence financial hardship at Bank BCA. Partially, current ratio and return on assets positively influence financial stability; however, the debt-to-equity ratio suggests that greater reliance on debt heightens the likelihood of a financial crisis. These findings underscore the significance of effective management of liquidity, solvency, and profitability ratios to avert prolonged financial strain. Consequently, Bank BCA is recommended to enhance asset utilization efficiency, meticulously manage capital structure, and sustain liquidity at a robust level. By implementing this strategy, Bank BCA can mitigate the risk of financial hardship and secure financial stability to facilitate sustainable operations and long-term growth.

This study's findings provide important implications for both future research and Bank BCA's financial management. The bank must prioritize maintaining liquidity by closely monitoring liquidity ratios to prevent financial strain, while also optimizing asset utilization to improve profitability and reducing reliance on debt through a well-balanced capital structure. Future studies should expand the scope by incorporating external factors such as macroeconomic conditions and regulatory policies that may influence financial distress in banks. Several limitations should be acknowledged, including the restricted study period from 2020 to 2024, the exclusive focus on three financial ratios, and reliance on publicly available annual reports that exclude internal data and other determinants of financial health. From a managerial perspective, these findings emphasize the need for Bank BCA to strengthen liquidity and capital structure management, implement early detection systems to anticipate potential financial problems, and improve transparency and communication with stakeholders to sustain investor and regulator confidence.

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