ABSTRACT

This study aims to test the predictions of bankruptcy in banking companies listed in Indonesia Stock Exchange using the Altman Z-score to see how big the bankruptcy prediction in the 2009-2012 period and the influence of corporate banking bankruptcy prediction on stock prices.

The study sample consisted of 21 banks in the period 2009 to 2012. The data used in this study is the annual financial statements of banks that are on the Indonesia Stock Exchange and the company's stock price 6 months after the issuance of the financial statements. The analysis technique used is a bankruptcy prediction model with Altman Z-score using four variables representing liquidity ratio (Working capital to total assets), profitability (Retained earnings to total assets) and (Earning before interest and taxes to total assets), activities (book value of equity to book value of debt) as the Altman Z-Score formula and banking company’s stock price.

With the Z-Score criteria > 2.60 were categorized as very healthy company, 1.1 < Z-score < 2.60 are in the gray area - the ashes so the chances saved and the possibility of bankruptcy as much depends on the discretion of the management company's decision as a decision maker. Z-Score < 1.1 is classified as a company that has enormous financial difficulties and the high risk that the collapse of a very large possibility. During the observation period showed that as many as 33 % to 43 % predicted bankrupt banking companies, 57 % to 67 % are in the gray zone - gray (prone) and the remaining 5 % are in a healthy zone. The test result shows that Altman Z-Score predictions significantly influence stock prices.

Keywords: Bankruptcy Prediction Bank, Altman Z-Score, Stock Price