

ABSTRACT

This study investigates the impact of financial and non-financial variables on accurately predicting financial distress. The financial variables used include leverage ratio, liquidity ratio, profitability ratio, and activity ratio. The non-financial variables consist of ownership structure, board of commissioners, and audit committee, with specific indicators such as managerial ownership, institutional ownership, board size, independent board of commissioners, frequency of board meetings, audit committee size, frequency of audit committee meetings, audit committee expertise, and independent audit committee. The models developed in this study took into account financial variables alone as well as a combination of financial and non-financial variables related to good corporate governance.

The sample for the study comprised 245 non-financial companies listed on the Indonesia Stock Exchange (IDX) between 2018 to 2022, with 158 classified as distressed and 87 as non-distressed companies. Logistic regression analysis using IBM SPSS 25 was employed to analyze the data.

The results of this study indicate that the model consisting of financial variables has a financial distress prediction accuracy of 75.9%, while the model consisting of financial variables and non-financial variables related to governance is able to predict financial distress with relatively better accuracy of 76.7% and 77.1%.

Keywords: financial distress, financial ratios, ownership structure, board of commissioners, audit committee.