ABSTRACT

This study aims to examine the effect of corporate governance mechanisms, including the composition of the independent board of commissioners, institutional ownership, managerial ownership, and financial performance—measured by profitability, liquidity, and leverage—on corporate financial distress, which is assessed using the Altman Z-score. Corporate financial distress needs to be studied as it poses a threat to business continuity, especially in times of global economic instability, financial crises, and intense competition. By understanding the factors that contribute to financial distress, companies can take strategic steps to prevent bankruptcy and ensure operational sustainability.

The data used in this study are secondary data obtained from financial reports or annual reports of companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The sample consists of all energy sector and basic materials sector companies listed on the IDX during the 2021–2023 period. The sample selection was conducted using the purposive sampling method, resulting in a total of 300 companies. This study employs logistic regression analysis to test the hypotheses.

The results indicate that corporate governance mechanisms, such as managerial structure, have a negative effect on financial distress, while the composition of the independent board of commissioners and institutional ownership have no significant effect on financial distress. In terms of financial performance, profitability and liquidity negatively affect financial distress, whereas leverage has no significant effect on financial distress.

Keywords: *corporate governance*, *financial performance*, *financial distress, Altman Z-score*