ABSTRACT

This study aims to examine the effect of corporate governance mechanism to financial distress. The dependent variable of this study is financial distress which is proxied as dummy variable has interest coverage ratio less than one. The independent of this study are managerial ownership, institutional ownership, foreign ownership, government ownership, blockholder ownership, size of board of commissioner, and independent of board of commisioner. Control variables in this study are firm size, net profit margin, payout ratio, leverage and sales growth.

Population of this study are manufacturing companies listed in Indonesia Stock Exchange (BEI) in 2012-2016. This study used purposive sampling method and logistic regression as the data analysis. Total samples are 310 companies.

The results of analysis showed that the institutional ownership and size of board of commisioner expert in a significant negative effect on financial distress, while managerial ownership, foreign ownership, government ownership, blockholder ownership and independent of board of commisioner did not significantly affect the financial distress.

Keywords: *financial distress, corporate governance, interest coverage ratio.*