ABSTRACT

Financial distress have strong relationship to the bankruptcy of a company. The occurence of financial distress can be predicted by using information contained in financial statement and corporate governance mechanisms in the firm. The purpose of this research is to prove the effect of ownership structure, board size, independent board of commissioners, liquidity and leverage with financial distress.

Population of this research are all of manufacturing sector at Indonesia Stock Exchange, which were published in financial report from 2008-2010. This research used 34 companies in manufacturing sector at Indonesia Stock Exchange, which were published in financial report from 2008-2010 as a sample to obtain 102 data observation. This research used logistic regression as an analyzing instrument. The method of analysis consist of descriptive statistic, fit model test which used G test, Hosmer & Lemeshow's test and Cox & Snell;s R Square and Nagelkerke R Square and to test the coefficient of variables this study used wald test.

The result of this research showed that ownership structure, director size, liquidity and leverage have significant impact on the probability of firm experienced financial distressed. The evidence of impact of ownership structure and director size on the probability of firm experienced fiancial distressd also confirmed by test using lag 1 year. This research failed to prove effect of commissioners size and independent board of commissioners with probability of experiencing financial distress.

Keywords: Ownership Structure, Board Size, Board of Commissioners, Liquidity, Leverage and Financial Distress.