

ABSTRACT

This study aims to examine the effect of financial distress on corporate governance mechanism. Corporate governance measured by directors size, commissioner size, independency of commissioner, educational background of directors, and ownership structure. Independent variable used in this study is financial distress which is measured by Altman z-score model, while dependent variable used are directors size, commissioner size, independency of commissioner, educational background of directors, and ownership structure.

Sample of this research is the manufacturing companies which have z-score less than 1,2 and listed in Indonesia Stock Exchange (IDX) with the sample period 2007-2009. Data collected by purposive sampling method. Sample used in this study were 39. This study uses multiple linier regression for data analysis.

The results showed that directors size, commissioner size, and educational background of directors provide a significant influence on financial distress. While independence of commissioner variable and ownership structure has no effect on the financial distress.

Key words : financial distress, corporate governance, directors size, commissioner size, independency of commissioner, educational background of directors, and ownership structure.