ABSTRACT

This study analyzes the impact of financial performance and corporate governance on financial distress. The financial performance in this study uses liquidity ratios, leverage, profitability, and activity). While corporate governance use managerial ownership and institutional ownership.

The population in this study is all of the companies non-financial listedon the Indonesia Stock Exchange and is continously published financial statements in the year 2010-2012. Based on purposive sampling method, samples obtained is 44 companies in the period 2010-2012 so obtain 132 observations. The Criteria of financial distress in this study is a company that has a negative operating profit for three years in a row. This study used logistic regression as a data analysis tool.

The results of this study showed that leverage, profitability and activity ratios have a significant impact on the financial distress condition. This research failed to prove effect of liquidity, managerial ownership and institutional ownership, with probability of experincing financial distress.

Keywords: financial performance, corporate governance, and financial distress.