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Abstract

This research aims to examine and obtain empirical evidence on the effect of managerial ownership, institutional ownership, independent directors, board size, and audit committees to financial distress conditions. This research uses two control variables, namely firm size and leverage. Problems identified in this research are whether managerial ownership, institutional ownership, independent directors, board size, audit committee have an effect on the condition of corporate financial distress. The advantages of this research are as a contribution for theory development, particularly those related to corporate governance, agency theory, and companies experiencing financial distress.

The population in this research are all non-financial companies listed on the stock exchanges of Indonesia, Malaysia, Singapore in 2012-2016. Based on the purposive sampling method, the samples obtained in the company in Indonesia are 200 companies consisting of 152 non-financial distress companies and 48 financial distress companies, 235 companies in Malaysia consisting of 193 non-financial distress companies and 42 financial distress companies, and lastly there are 205 companies in Singapore consisting of 158 non-financial distress companies and 47 financial distress companies which in total there are 640 companies in Indonesia, Malaysia and Singapore consisting of 503 non-financial distress companies and 137 financial distress companies. Financial distress criteria in this research is measured by using earnings per share.

Research results in Indonesia have shown that independent directors and board size have a negative and significant effect, and leverage have a positive and significant effect, while managerial ownership, institutional ownership, audit committee and firm size have no effect on financial distress. In Malaysia, independent variable directors have a significant positive effect and firm size has a significant negative effect while managerial ownership variable, institutional ownership, board size, audit committee and leverage have no effect on financial distress. In Singapore, firm size variable has a significant negative effect and leverage have a significant positive effect while managerial ownership variable, institutional ownership, independent director, board size, audit committee have no effect on financial distress. In all firms in Indonesia, Malaysia and Singapore has shown that the variable board size and firm size has a significant negative effect, leverage has a significant positive effect and managerial ownership variable, institutional ownership, independent director, and audit committee have no effect on financial distress.

Keywords: managerial ownership, institutional ownership, independent directors, board size, audit committee, firm size, leverage, financial distress, earnings per share, logistic regression