ABSTRACT

Indonesia's sluggish economic condition has an impact on the performance of the textile & garment sub-sector, as evidenced by the growth of textile & garment's subsector contribution to the national GDP which continues to show the decline and reach the highest minus point in 2015. Some textile & garment sub-sector companies have negative net income and suffered losses in 3 years which indicate financial distress. If this is allowed, the company will fall into bankruptcy conditions. One of the prevention efforts that can be done by the company is to implement Good Corporate Governance (GCG) mechanism well.

This research aims to find out the effects of Good Corporate Governance towards financial distress in textile & garment companies listed in Indonesia Stock Exchange period of 2012 – 2016. This research used secondary data of financial and annual reports. The analysis method used was panel data regression technique to seventeen textile & garments subsector companies with institutional ownership, managerial ownership, independent commissioners, and audit committee as independent variables and financial distress with Springate s-score as a proxy as the dependent variable.

The results of the study indicated institutional ownership, managerial ownership, independent board of commissioners, and audit committees simultaneously have a significant effect on financial distress. While partial institutional and managerial ownership has no significant effect on the positive direction, independent board of commissioners has no significant effect to the negative direction, and the audit committee has a significant influence on financial distress to the negative direction.

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***Keywords**: GCG, institutional ownership, managerial ownership, independent board of commisioners, audit committees, financial distress*