ABSTRACT

Financial distress is the company's financial condition that is declining and causes the company to be unable to pay obligations before the occurrence of bankruptcy or liquidation. This will cause an increase in costs, namely direct costs and indirect costs of financial distress. The cost of financial distress is the cost faced by the company in financial distress beyond the costs arising from business activities.

This study aims to analyze the factors that influence cost of financial distress through liquidity, activity, leverage, and firm size in companies listed on the Indonesia Stock Exchange in 2014-2017.

The object in this study is a company listed on the Indonesia Stock Exchange in 2014-2017. The research sample amounted to 11 companies selected using the purposive sampling method, with observations for four years. The method used to analyze the relationship between variables is the panel data regression method. Data processing is done using Eviews software.

The result shows that liquidity, activity, leverage, and firm size simultaneusly have a significant effect on cost of financial distress. Partially, liquidity has positive significant effect on cost of financial distress, firm size has negative significant effect on cost of financial distress. Activity and leverage have no effect on cost of financial distress.

Keywords: *Activity, firm size, cost of financial distress leverage, and liquidity*