ABSTRACT

The purpose of this study is to discuss the effect of profitability, leverage, institutional ownership, managerial ownership, and independent board of commissioners on Financial distress. The dependent variable is Financial distress which is proxied by the Springate S-score. The independent variables are profitability, leverage, institutional ownership, managerial ownership and independent board of commissioners.

Sampling in this study using purposive sampling method. From this method obtained 8 pharmaceutical companies that meet the sample selection criteria. This research uses quantitative methods with the type of descriptive research and hypothesis testing. The hypothesis proposed uses descriptive statistical analysis and panel data regression analysis using Eviews 9. The sampling technique in this study was 8 pharmaceutical subsector companies listed on the Indonesia Stock Exchange with a research period of 5 years producing 40 sample units.

The results of this study indicate that the variable Profitability, Leverage, Institutional Ownership (KPI), Managerial Ownership (KPM) and Independent Board of Commissioners (DKI) simultaneously have a significant effect on financial difficulties. Meanwhile, profitability, ownership institutions, and independent commissioners (DKI) have a significant negative effect on financial distress and leverage has a significant positive effect on financial distress.

Based on the results of this study, the company is expected to pay more attention to the implementation of corporate governance by increasing the monitoring function on profitability, leverage, institutional ownership, managerial ownership so that the predicted value of financial distress with the springate s-score does not decrease so that it can avoid financial distress.

Keywords: Profitability, Leverage, Institusional Ownership, Managerial Ownership, and Independent Board of Commissioners.