

ABSTRACT

Financial distress is a condition or process of decreasing the financial condition of a company, so that the company cannot pay its debt obligations and goes bankrupt. The average automotive and component company decreased in 2019 and 2020. The decline was the impact of the Covid19 pandemic so that the company's business performance declined and was unable to generate maximum profits in 2019 and 2020.

This study aims to determine whether financial and non-financial performance factors (profitability ratios, leverage ratios, political connection, and executive compensation) have a simultaneous and partial effect on financial distress in automotive and component companies listed on the IDX for the 2016-2020 period. Profitability ratios are measured by ROA. Leverage ratio is measured by DAR. Political connection is measured by a dummy variable. Executive compensation is measured by the natural logarithm. While financial distress is measured by the Altman Z-score model.

This study uses quantitative methods with logistic regression analysis techniques. The sampling method in this study used a purposive sampling method. The number of samples obtained as many as 13 samples with total of 65 observational data. However, there are 3 outlier data, so the sample in this study is 10 sample with 50 observation data.

The result of this research is that simultaneously profitability, leverage, executive compensation, and political connection have an effect on financial distress. Partially, the leverage variable has a significant positive effect on financial distress. While the variables of profitability, executive compensation, and political connection have no effect on financial distress.

Suggestions for companies are expected to be able to maintain the level of debt owned by the company, because the high and low debt will affect the leverage ratios which will have an impact on financial distress. For investors, they can invest in companies that have a low level of leverage ratios.

Keywords: *financial distress, profitability, leverage, political connection, executive compensation*