

ABSTRACT

The purpose of this research is to acknowledge the effect of characteristic corporate governance practices on the prediction of financial distress on sub sector coal mining company listed in BEI period 2009-2014. This research can be used as information for companies to know how corporate governance practices could affect the occurrence of a state of financial distress as well as consideration for the company to improve the efficiency of corporate governance to be free from the threat of financial distress.

Theoretical basis used in this study is the financial distress and corporate governance. Financial distress is a situation when the company has a significant problem in the payment of debts when due which began when the cash flow that is owned by company indicating that the company will not afford the payment obligation. While corporate governance is the rule of rights and obligations of shareholders and stakeholders to achieve the company's goals as well as to protect the interests of stakeholders. In this study used institutional ownership, managerial ownership, independent board and audit committee as independent variable and prediction of financial distress using Altman Z-score as variable dependent.

This research is a quantitative study using data analysis techniques panel data regression. The population in this study is a sub-sector coal mining company listed on the BEI period 2009 - 2014. The sampling technique in this research is purposive sampling method to obtain 6 companies that match the criteria.

The results of data processing shows that institutional ownership, managerial ownership, proportions of independent board and audit committee did not significantly affect the prediction of financial distress. Of the four independent variables, only the institutional that partially has significant impact negatively on the prediction of financial distress.

According to the research, company should be expected to pay attention to factors that may lead to financial distress of the company, so that if there is an indication for companies experiencing financial distress to take immediate action in order to be freed from financial distress. As for investors should pay attention to how the implementation of corporate governance in company in order to avoid the possibility of financial distress.

Keywords: corporate governance, financial distress, Altman Z-score, panel data regression.