ABSTRACT

Financial distress can be indicated by the inability of a company to meet its obligations. One of the causes of companies experiencing financial distress is when the growth of revenue in a company is not balanced with the total expenditures incurred by the company and eventually the company experiences financial difficulties which can cause the company to go bankrupt.

This study aims to determine the effect of leverage, sales growth, and managerial agency cost on financial distress in consumer goods industry sector family companies listed on the Indonesia Stock Exchange in the 2015-2019 period.

The sample selection technique in this study was using purposive sampling and obtained samples using the criteria set by Price Waterhouse Cooper as many as 12 family companies in the consumer goods industry sector listed on the Indonesia Stock Exchange with a study period of 5 years with a total of 60 samples. This study uses quantitative data in the form of annual financial statements and in testing the hypothesis used panel data regression analysis method.

The results of this study indicate that simultaneously leverage, sales growth, and managerial agency costs have an effect on financial distress. Partially, leverage and managerial agency costs have a significant negative effect on financial distress. Meanwhile, sales growth has no significant effect on financial distress.

Based on the results of the study, further researchers are expected to use other variables that are thought to affect financial distress. The company is advised to reduce the leverage variable and the managerial agency cost variable so that the company can avoid financial distress. Investors are expected to invest in issuers that have a variable leverage value and a low managerial agency cost variable value.

Keywords: Financial distress, Leverage, Managerial Agency Cost, Sales Growth