Abstract

Corporate Governance mechanisms believed to have strong impact to the companies’ performance. The implementation of Corporate Governance in one company might be different to the implementation of Corporate Governance in other company due to the characteristic of the company. This study examined the difference of Corporate Governance mechanisms in financially distressed firms and non financially distressed firms. Corporate Governance mechanisms examined in this study are size of board, independency of board, board turnover, ownership structure by bank or financial institution and by directors. The result of this study showed that size of directors, size of commissioner, and board turnover have significant impact on the probability of firm experienced financial distressed. The evidence on impact of board of director and board of commissioner size on the probability of firm experienced financial distressed also confirmed by test using lag 1 year. This study fail to document the evidence of the relationship of board independency and ownership structure with the probability of firm experienced financial distressed.

Key words: Corporate governance, financial distress, board size, board independency, board turnover, ownership structure.