# ABSTRACT

Felicia Komala / 33150322 / 2019 / The Effect of Leverage and Firm Growth on Financial Distress Moderated by Managerial Ownership and Institutional Ownership in Manufacturing Companies Listed in Indonesia Stock Exchange Period 2015-2017 / Advisor : Yustina Triyani, Dra., M.M, M. Ak.

The economic condition in Indonesia is entering a period of crisis, causing some companies to be unable to sustain it. Some companies are unable to pay their obligations, causing the company them to experience financial difficulties and even lead to bankruptcy. Good corporate governance mechanisms applied to companies aiming to minimize the occurrence of financial distress. This study aims to determine whether the managerial ownership and institutional ownership could affect the firm's leverage and growth against the possibility of financial distress or not.

Financial distress is a financial difficulty experienced by the company before the company went bankrupt. The theory used in this research is agency theory that discusses the information difference between the principals and the agent. This theory aims to align the relationship between the agent as the manager of the company and the principal as the owner of the company.

The method used in this research is logistic regression analysis. The sampling technique used was non probability sampling with purposive sampling method. Samples were obtained by 70 companies per year in order to obtain 210 data observations. The data used in this research is secondary data obtained from web.idx.id.

The results of the regression model feasibility test both with Springate and Grover model shows that it is able to predict the value of its observations so that the model can be accepted. Hypothesis test results with the level of α = 5% showed a significance value (Sig / 2) at Grover model for variable LEV = 0.000, GROWTH = 0.099, LEV\_KM = 0.227, LEV\_KI = 0.497, GROWTH\_KM = 0.250, GROWTH\_KI = 0.477. Meanwhile, the significance value (Sig / 2) at Springate model for variable LEV = 0.000, GROWTH = 0.0005, LEV\_KM = 0.060, LEV\_KI = 0.003, GROWTH\_KM = 0.087, GROWTH\_KI = 0.386.

The results of this study indicates that there is sufficient evidence that leverage tends to positively affects financial distress both with Grover model or Springate model, firm growth tends to negatively affect financial distress with Springate model, and institutional ownership tends to weaken the influence of leverage to financial distress with Springate models. On the other hand, there is not enough evidence that the firm's growth tends to negatively affect the financial distress with Grover model. Managerial ownership has no effect in moderating the relation between leverage and firm growth towards better financial distress with Grover model and Springate model. Institutional ownership has no effect in moderating the relationship between leverage and the financial distress with Grover model. Institutional ownership has no effect in moderating the relationship between firm growth and financial distress both by Grover model nor Springate model.

*Keywords: Financial Distress, Grover Model, Springate Model, Leverage, Firm Growth,
 Managerial Ownership, Institutional Ownership*