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FACTORS THAT INFLUENCE FINANCIAL DISTRESS IN BANKING COMPANIES

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ABSTRACT

The purpose of this research is to obtain empirical evidence about the effects of managerial ownership, independent commissioner, *leverage,* and *liquidity* on *Financial Distress in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period. This research used 31 samples and 93 data from banking companies selected by the purposive sampling method. Data processing techniques uses secondary data which is processed using panel data regression analysis and processed using Microsoft Excel 2019 and Eviews version 12. The result of this research indicate that managerial ownership has a positive and significant effect on financial distress while independent commissioner*, *leverage,* and *liquidity have no significant effect on financial distress*.

Keywords: *Managerial Ownership, Independent Commissioner*, *Leverage, Liquidity, Financial Distress.*

1. INTRODUCTION

In March 2023, the United States banking industry was experiencing a crisis. The big banks in the United States began to fall, starting with Silicon Valley Bank (SVB), followed by Silvergate Bank and Signature Bank to First Republic. In early May 2023, First Republic Bank was hit by the same thing after its shares fell 50% in April 2023. Efforts were made to save it by being acquired by JPMorgan Chase & Co. [27].

The phenomenon of bankruptcy and failure to pay corporate debts also occurs in the United States. This stems from the Fed's plan to continue raising interest rates to stem inflation. In May 2023, many companies in the United States are grappling with high interest rates. They have difficulty financing debt refinancing. There are 41 companies that have gone bankrupt in the United States. According to S&P Global Market Intelligence, as of June 22 there were at least 324 bankruptcy filings. Bankers and analysts say companies that need more liquidity or already have large debt loads are faced with high costs of new debt, requiring greater capital [27].

Bank bankruptcy in the US can cause investors to tend to be more careful and selective in investing, so research on financial distress is important. Financial distress research is carried out to provide signals to external parties, especially investors, about the company's financial condition so that investors can continue to invest in the company.

Companies with unstable financial conditions can cause companies to experience a decline in financial performance. The decline in a company's financial performance is caused by the company's inability to generate profits. A decline in the company's financial performance shows that the company is experiencing losses due to decreased sales [5]. The possibility of a company

going bankrupt will be greater if financial performance continues to decline due to the Covid-19 pandemic. A company will experience financial distress first before the company finally experiences bankruptcy.

Financial distress is a condition where a company's finances experience a decline which can result in bankruptcy [15]. Financial distress can be measured using the Interest Coverage Ratio (ICR) proxy.

Financial distress is a condition where a company's finances experience a decline which can result in bankruptcy. Usually, if a company experiences financial distress, the company will experience a decrease in profitability and a significant decline which will have an impact on the company's cash flow. This will decrease liquidity and affect the company's operational efficiency [15].

Companies experiencing financial distress will cause investors, creditors, vendors, customers and employees to reassess their relationship with the company [15]. For investors, company financial information is very important because if the company experiences financial distress, investors will not invest in the company. Creditors will not provide loans to companies experiencing financial distress because the company is unable to pay off the principal amount of the loan and interest. For vendors, they will not continue to provide supplies of raw materials if the company is no longer able to pay for the supply of these goods. For customers, they need assurance that the company in question consistently provides products. For employees, they need future security such as salary, job promotions and pensions.

Management can provide information about the company's financial condition to external parties. This information can be good news or bad news. This information can be provided to external parties using Signaling Theory. Signaling Theory explains that companies provide information about the company's condition to external parties, either information in the form of notes or in the form of descriptions of past, present or future conditions [21].

Financial distress can be predicted by analyzing the company's financial reports. Financial reports are used as a basis for decision making and predicting company performance. By analyzing the company's financial reports, management can anticipate the risk of bankruptcy [26]. Financial distress can be proxied through the Interest Coverage Ratio, namely operating profit (EBIT) divided by interest expense.

There are things that can cause a company to experience financial distress and even go bankrupt. Starting from management's inability to make decisions, inappropriate implementation of decisions, to various other factors. Improper implementation of corporate governance can be one of the causes of companies experiencing financial distress [4].

There are other factors besides corporate governance that can influence financial distress. Factors that influence financial distress include profitability, liquidity, leverage, activity and sales growth [18]. In this research, the variables used are corporate governance which is proxied by managerial ownership and an independent board of commissioners, leverage, and sales growth.

Several studies that have been conducted on financial distress show that managerial ownership has a positive and significant effect on financial distress, whereas independent board of commissioners, leverage and liquidity do not have a significant effect on financial distress.

Based on research conducted by [13] it shows that managerial ownership has a negative and significant influence on financial distress. Research conducted by [19] stated that an independent board of commissioners had a negative and insignificant effect on financial distress. Research conducted by [22] stated that leverage had a positive and insignificant effect on financial distress. Research conducted by [2] stated that liquidity had a positive and insignificant effect on financial distress conditions.

The main objective of this research is that it is hoped that it can provide benefits to the company under study so that it can be used as input for company management to minimize financial distress conditions by paying attention to managerial ownership factors, independent board of commissioners, leverage and liquidity. Then the benefit for investors is that it can be used as knowledge and a source of information as consideration for making investment decisions. For future researchers, it can be used as information, reference, reference and consideration for the use of topics regarding financial distress.

The purpose of this research is to obtain empirical evidence about the effects of Managerial Ownership (KM), Independent Commissioner (DKI), Leverage (DER), and Liquidity (CR) on Financial Distress. in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period. This research uses 31 samples and 93 data from banking companies selected by the purposive sampling method. Data processing techniques uses secondary data which is processed using panel data regression analysis and processed using Microsoft Excel 2019 and Eviews version 12. The result of this research indicates that KM has a negative and significant effect on financial distress, DKI has a negative and no significant effect on financial distress, DER has a positive and no significant effect on financial distress, CR has a positive and no significant effect on financial distress.

2. RESEARCH METHOD

The basis for this research uses two grand theories, one of which is signaling theory. Signaling theory is a signal regarding actions taken by company management in handling the company's financial performance which can be a guide for investors in making investment decisions. This signal is in the form of information that describes the company's past, present and future conditions, where this information will be analyzed and interpreted by external parties as a good signal (good news) or a bad signal (bad news) [12].

Agency Theory describes the existence of a two-party relationship, namely between shareholders as principals and management as agents [6].

Financial distress is a stage of decline in a company's financial condition that occurs before bankruptcy or liquidation [23]. Companies experiencing financial distress begin when a company is unable to meet scheduled or due payments [2].

Managerial ownership is the percentage of share ownership owned by managers from outstanding shares. Managerial ownership is the percentage of company share ownership that is appropriate for management, so that it will make management more active in increasing the profits they will receive from the shares they own [9].

An independent commissioners is defined as someone who is not affiliated in any way with the main shareholders, has no affiliation with the board of directors or with the board of

commissioners and does not serve as a director in a company related to the owner's company [10].

Leverage is a benchmark for companies to measure the extent to which a company relies on creditors to obtain its assets. A high level of leverage indicates that the company has a high level of debt and the company is dependent on debt to obtain assets [8].

Liquidity is a ratio that describes a company's ability to fulfill its short-term obligations. This means that if the company's short-term obligations are collected, then the company is required to be able to pay these short-term obligations, especially those that are due [16].

Managerial ownership is share ownership owned by the management of a company. Managerial ownership can be calculated by the number of managerial shares divided by the number of shares outstanding. Based on agency theory, it emphasizes the importance of managerial ownership because high managerial ownership can reduce agency problems because management will be motivated to improve company performance and act in accordance with stakeholder interests.
This is in line with research results [13] which revealed in their research that there is a negative and significant influence between managerial ownership and the possibility of financial distress in the company. The results of this research are also supported by [20] that managerial ownership has a negative and significant influence on financial distress.
H1: Managerial Ownership has negative and significant effect on financial distress

The board of commissioners is tasked with supervising and providing advice to the board of directors and ensuring that the company implements good corporate governance. The independent board of commissioners can be calculated by the number of independent commissioners divided by the number of commissioners. Based on agency theory, it is explained that the more independent commissioners on the board of commissioners, the better the board of commissioners will be in supervising the company. The board of commissioners needs independent commissioners to supervise and control the actions of the board of directors.

This is in line with the results of research [28] and [4]. which states that an independent board of commissioners has a negative and significant effect on financial distress.
H2: Independent Commissioner has negative and significant effect on financial distress

Leverage is a benchmark used by companies to measure how much a company depends on creditors to obtain its assets. Leverage can be calculated using the Debt to Equity Ratio (DER) proxy. Based on signaling theory, it explains that the higher the company's leverage, the higher the possibility of financial distress. This will provide a positive signal to external parties regarding the company's financial performance.

This is in line with the results of research [17] and [7] which state that leverage has a positive and significant effect on financial distress.
H3: Leverage has positive and significant effect on financial distress

Liquidity is a ratio used to measure a company's ability to meet short-term obligations. A company that has high liquidity means that the company's performance is getting better. Liquidity can be calculated using the Current Ratio (CR) proxy. Based on signaling theory, it explains that the higher the company's liquidity, the higher the company's ability to pay off

current debt. This will provide a positive signal to external parties regarding the company's financial performance, because it means the company has the ability to pay off its debt.

This is in line with the results of research [7] which states that liquidity has a negative and significant effect on financial distress
H4: Liquidity has negative and significant effect on financial distress

Based on the description of the development of the hypothesis above, the research framework is described as follows:

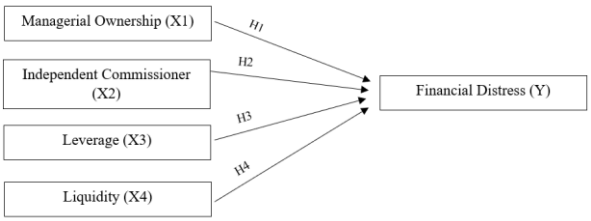


Figure 1. Research Model
Source : Reseacher, 2023

The research design used in this research is descriptive research with quantitative research methods. This research uses panel data obtained from data from banking companies listed on the Indonesia Stock Exchange from 2020 to 2022. This research uses secondary data obtained from company financial statements on the official website of the Indonesia Stock Exchange which can be accessed via www.idx.co.id or the company's official website.

There are two types of variables used in this research, namely dependent variables and independent variables. The dependent variable tested in this research is financial distress. Furthermore, the independent variables tested in this research consist of managerial ownership, independent commissioner, leverage, and liquidity.

Table 1. Variables

Variable	Formulas	Scale	Source
Financial Distress	$ICR = \frac{EBIT}{Interest\ Expenses}$	Ratio	Chai dan Sudirgo (2021)
Managerial Ownership	$Managerial\ Ownership = \frac{Total\ of\ Managerial\ Shares}{Total\ of\ Shares\ Outstanding}$	Ratio	Nasiroh dan Priyadi (2018)
Independent Commissioner	$Independent\ Commissioner = \frac{Total\ of\ Independent\ Commissioner}{Total\ of\ Commissioner}$	Ratio	Liga dan Lukman (2021)
Leverage	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	Ratio	Wijaya dan Suhendah (2021)
Liquidity	$CR = \frac{Current\ Assets}{Current\ Liabilities}$	Ratio	Wijaya dan Suhendah (2021)

The research design used in this study is descriptive in nature with quantitative method approach. This study uses secondary from the financial statements of banking companies listed on the Indonesia Stock Exchange (IDX). This secondary data can be accessed through the official IDX website, www.idx.co.id. The type of data used in this study is panel data. The total population in this study consisted of 43 companies in the banking sector. This study uses purposive sampling method. The following sample criteria were used:

Table 2. Criteria
Source : Researcher, 2023

Banking companies listed on the IDX successively in 2020-2022 period
Banking companies that carry put Initial Public Offering (IPO) in 2020-2022 period
Banking companies that do not present their financial statements in rupiah during 2020-2022
Banking companies that do not publish their financial statements ending December 31 for 2020-2022

3. RESULTS AND DISCUSSIONS

The results of descriptive statistical testing are as follows

Table 3. Descriptive Statistics Results
Source: Eviews 12

Sample: 2020 2022

	ICR	KM	DKI	DER	CR
Mean	-0.269348	0.359755	0.564725	5.595708	3.526895
Median	-0.231991	0.113497	0.555556	5.274759	1.902077
Maximum	1.004626	0.988063	0.750000	16.07858	27.76892
Minimum	-1.716815	2.94E-05	0.250000	0.525066	0.166919
Std. Dev.	0.554198	0.382822	0.096560	3.021684	4.268595
Skewness	-0.159621	0.456974	-0.465849	1.099948	3.087169
Kurtosis	3.145487	1.484970	3.247101	4.519053	15.26169
Jarque-Bera	0.476941	12.13114	3.600342	27.69489	730.3275
Probability	0.787832	0.002321	0.165271	0.000001	0.000000
Sum	-25.04935	33.45720	52.51944	520.4009	328.0012
Sum Sq. Dev.	28.25646	13.48287	0.857793	840.0127	1676.323
Observations	93	93	93	93	93

Table 4. Chow Test
Source: Eviews 12

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.477948	(42,82)	0.0000
Cross-section Chi-square	131.960560	42	0.0000

The chow test results show the best chow test results using the fixed effect model (FEM) (cross-section F = 0.0000 < 0.05).

Table 5. Hausman Test
Source: Eviews 12

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.959893	4	0.4115

The results of the Hausman test show that the best model is the random effect model (REM) (random cross-section = 0.4115 > 0.05).

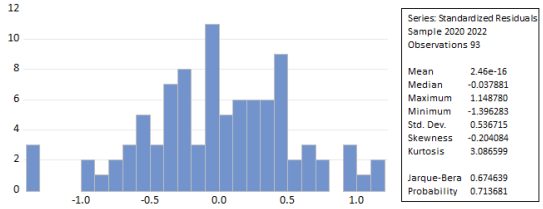
Table 6. Lagrange Multiplier Test
Source: Eviews 12

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	23.69688 (0.0000)	0.673669 (0.4118)	24.37055 (0.0000)

The Lagrange multiplier test shows that the best model is the random effect model (REM) (Breusch-Pagan cross-section = 0.0000 < 0.05).

Table 7. Normality Test
Source: Eviews 12



Based on table 7 above, this test uses the Jarque-Berra method. To find out the significance of this test, it can be seen through the probability value. The probability value can be said to be normally distributed if the significance value is > 0.05. In this research it can be seen that the probability value is 0.713681. So, it can be concluded that the data used is normally distributed.

Table 8. Multicollinearity Test
Source: Eviews 12

	KM	DKI	DER	CR
KM	1.000000	0.032383	-0.087644	-0.068523
DKI	0.032383	1.000000	0.089567	0.054392
DER	-0.087644	0.089567	1.000000	-0.149109
CR	-0.068523	0.054392	-0.149109	1.000000

Based on the results of the multicollinearity test in table 8 above, it can be seen that the correlation coefficient between the independent variables, namely managerial ownership, independent commissioners, leverage, and liquidity shows a correlation coefficient of <0.90. Based on these results, it can be concluded that the correlation between independent variables is free from multicollinearity problems.

Table 9. Heteroscedasticity Test
Source: Eviews 12

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.619497	Prob. F(4,88)	0.6498
Obs*R-squared	2.547059	Prob. Chi-Square(4)	0.6362
Scaled explained SS	2.376403	Prob. Chi-Square(4)	0.6669

Based on the results of the heteroscedasticity test in table 9, this test uses the Breusch-Pagan-Godfrey method. To determine the significance of this test, it can be seen through the obs*R-squared value. The value of obs*R-squared can be said to have no symptoms of

heteroscedasticity if it is greater than 0.05. In this research it can be seen that the obs*R-squared value is 2.547059. So, it can be concluded that the data used has no symptoms of heteroscedasticity.

Table 10. Autocorrelation Test
Source: Eviews 12

Weighted Statistics			
Root MSE	0.334760	R-squared	0.137107
Mean dependent var	-0.115334	Adjusted R-squared	0.097885
S.D. dependent var	0.362329	S.E. of regression	0.344139
Sum squared resid	10.42199	F-statistic	3.495634
Durbin-Watson stat	1.399618	Prob(F-statistic)	0.010696

Based on the results of the autocorrelation test in table 10, it can be seen that the Durbin-Watson value is 1.399618. The Durbin-Watson value can be said to have no autocorrelation if the value is between -2 to +2. In this study, the Durbin-Watson value of 1.399618 is between -2 and +2. So it can be concluded that the data used does not have autocorrelation.

Table 11. Multiple Linear Regression Analysis
Source: Eviews 12

Dependent Variable: ICR
Method: Panel EGLS (Cross-section random effects)
Date: 11/04/23 Time: 21:24
Sample: 2020 2022
Periods included: 3
Cross-sections included: 31
Total panel (balanced) observations: 93
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.568418	0.328037	-1.732787	0.0866
KM	0.621543	0.171036	3.633987	0.0005
DKI	-0.118915	0.522841	-0.227440	0.8206
DER	0.016170	0.022285	0.725623	0.4700
CR	0.014783	0.013961	1.058844	0.2926

Based on table 11, it is known that the multiple regression equation in this study is as follows:

$$ICR = -0.568418 + 0.621543KM - 0.118915DKI + 0.016170DER + 0.014783CR + \varepsilon$$

Keterangan:
Y = Financial Distress
KM = Managerial Ownership
DKI = Independent Commissioner
DER = Leverage
CR = Liquidity
ε = Error

The constant value in this research is -0.568418. This means that all independent variables consisting of managerial ownership, independent board of commissioners, leverage and liquidity have a value of 0, so the value of financial distress is -0.568418. If KM increases by one unit while other independent variables such as DKI, DER, CR have constant values, then the impact on the dependent variable in the form of financial distress increases by 0.612543. If DKI increases by one unit while other independent variables such as KM, DER, CR have constant values, then the impact on the dependent variable in the form of financial distress decreases by 0.118915. If DER increases by one unit while other independent variables such as KM, DKI, CR have constant values, then the impact on the dependent variable in the form of financial distress

increases by 0.016170. If CR increases by one unit while other independent variables such as KM, DKI, DER have constant values, then the impact on the dependent variable in the form of financial distress increases by 0.014783.

Table 12. F-Test
Source: Eviews 12

Weighted Statistics			
Root MSE	0.334760	R-squared	0.137107
Mean dependent var	-0.115334	Adjusted R-squared	0.097885
S.D. dependent var	0.362329	S.E. of regression	0.344139
Sum squared resid	10.42199	F-statistic	3.495634
Durbin-Watson stat	1.399618	Prob(F-statistic)	0.010696

Based on table 12, the Prob (F-statistic) value is 0.010696 < 0.05, so KM, DKI, DER, and CR influence financial distress simultaneously.

Table 13. t-Test
Source: Eviews 12

Dependent Variable: ICR
Method: Panel EGLS (Cross-section random effects)
Date: 11/04/23 Time: 21:24
Sample: 2020 2022
Periods included: 3
Cross-sections included: 31
Total panel (balanced) observations: 93
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.568418	0.328037	-1.732787	0.0866
KM	0.621543	0.171036	3.633987	0.0005
DKI	-0.118915	0.522841	-0.227440	0.8206
DER	0.016170	0.022285	0.725623	0.4700
CR	0.014783	0.013961	1.058844	0.2926

Based on table 13, the KM probability value is 0.0866 <0.05 and the coefficient value is 0.621543, so managerial ownership has a positive and significant effect on financial distress. The DKI probability value is 0.8206 > 0.05 and the coefficient value is -0.118915, so the board of commissioners has a negative and insignificant effect on financial distress. The DER probability value is 0.4700 > 0.05 and the coefficient value is 0.016170, so leverage has a positive and insignificant effect on financial distress. The CR probability value is 0.2926 > 0.05 and the coefficient value is 0.014783, so liquidity has a positive and insignificant effect on financial distress.

Table 14. Coefficient of Determination Test
Source: Eviews 12

Weighted Statistics			
Root MSE	0.334760	R-squared	0.137107
Mean dependent var	-0.115334	Adjusted R-squared	0.097885
S.D. dependent var	0.362329	S.E. of regression	0.344139
Sum squared resid	10.42199	F-statistic	3.495634
Durbin-Watson stat	1.399618	Prob(F-statistic)	0.010696

Based on table 14. Adjusted R-Squared is 0.097885 or 9.79%, then managerial ownership, independent commissioner, leverage, and liquidity explain the financial distress variable by 9.79% and the rest is explained by other factors.

The following is a table related to the results of hypothesis testing in this research:

Table 15. The Results of Hypotheses Testing
Source: Reseacher, 2023

Hypothesis		Coefficient	Significance	Conclusion
H1	Managerial Ownership has positive and significant effect on Financial Distress	0.62154	0.0005	H1 Rejected
H2	Independent Commissioner has negative and no significant effect on Financial Distress	-0.118915	0.8206	H2 Rejected
H3	Leverage has positive and no significant effect on Financial Distress	0.016170	0.4700	H3 Rejected
H4	Liquidity has positive and no significant effect on Financial Distress	0.014783	0.2926	H4 Rejected

Based on the research results, managerial ownership has a coefficient value of 0.62154 and a probability value of 0.0005 which is smaller than $\alpha = 0.05$. These results indicate that managerial ownership has a positive and significant effect on financial distress. The results of this research provide the conclusion that H1 is rejected.

Based on agency theory, it emphasizes the importance of managerial ownership because high managerial ownership can reduce agency problems because management will be motivated to improve company performance and act in accordance with stakeholder interests. Greater managerial ownership can unite the interests of shareholders and managers so as to reduce the potential for financial distress. However, based on the results obtained, managerial ownership has a positive and significant influence on financial distress, this could be due to low managerial ownership, which causes company performance to be less than optimal. The lower the managerial ownership, the lower the supervision of the policies to be taken and the performance of the agents.

This is in line with the results of research [24] which revealed in his research that managerial ownership had a positive effect on financial distress in the company. The results of this research are also supported by [11] that managerial ownership has a positive and significant influence on financial distress. However, there are also different results of research conducted by [4], [13], [20] which states that managerial ownership has a negative and significant effect on financial distress conditions, and research conducted by [7] which states that managerial ownership has a negative and significant effect on financial distress conditions.

Based on the research results, the independent board of commissioners has a coefficient value of -0.118915 and a probability value of 0.8206 which is greater than $\alpha = 0.05$. These results indicate that the independent board of commissioners has a negative and insignificant effect on financial distress. The results of this research provide the conclusion that H2 is rejected.

Based on agency theory, it is explained that the more independent commissioners on the board of commissioners, the better the board of commissioners will be in supervising the company. However, based on the results obtained, the independent board of commissioners has a negative and insignificant influence on financial distress. This could be because as an independent board of commissioners, an independent attitude is needed in carrying out their duties, but sometimes an independent commissioner has a lack of independence, which results in weak supervision and control over the performance of company management, as a result the independent board of commissioners will have no influence on the occurrence of financial distress.

This is in line with research conducted by [7] which states that the proportion of Independent Commissioners has a negative and no significant effect on financial distress conditions, and [19] which states that the independent board of commissioners has a negative and insignificant effect

on financial distress. However, there are also different research results conducted by [1] which state that an independent board of commissioners has a positive and significant effect on financial distress, and research conducted by [4] and [28] which states that independent commissioner has a negative and significant effect on financial distress conditions.

Based on the research results, leverage has a coefficient value of 0.016170 and a probability value of 0.4700 which is greater than $\alpha = 0.05$. These results indicate that leverage has a positive and insignificant effect on financial distress. The results of this study provide the conclusion that H3 is rejected.

Based on signaling theory, it explains that the higher a company's leverage, the more capital a company has. However, based on research results which show that leverage has a positive and insignificant effect on financial distress, this could be because company financing uses more debt than capital.

This is in line with research conducted by [25] and [22] which states that leverage has a positive and no significant effect on financial distress. However, there are also different research results conducted by [6] and [26] which state that leverage has a negative and significant effect on financial distress conditions, and research conducted by [7] and [17] which states that leverage has a positive and significant effect on financial distress conditions.

Based on the research results, liquidity has a coefficient value of 0.014783 and a probability value of 0.2926 which is greater than $\alpha = 0.05$. These results indicate that liquidity has a positive and insignificant effect on financial distress. The results of this research conclude that H4 is rejected.

Based on signaling theory, it explains that the higher the company's liquidity, the higher the company's ability to pay off current debt. However, based on research results which show that liquidity has a positive and insignificant effect on financial distress, this could be because the company does not have sufficient current assets to pay off its short-term debts which are due on time, so new loans are made to pay off existing debts.

This is in line with research conducted by [2] and [13] which states that liquidity has a positive and insignificant effect on financial distress conditions. However, there are also different research results conducted by [3], [7], and [14] which state that liquidity has a negative and significant effect on financial distress conditions.

4. CONCLUSIONS AND SUGGESTIONS

The conclusion on the variable X1 in the form of managerial ownership states that managerial ownership, which is measured by the number of managerial shares divided by the number of shares outstanding, has a positive and significant influence on financial distress. So it can be concluded that there is a difference between the researchers' expectations and the test results obtained. The results obtained by researchers are positive and significant, having the same results as previous research conducted by [24] and [11] which concluded that managerial ownership has a positive and significant influence on financial distress.

The conclusion is that variable X2 in the form of an independent commissioners has a negative and insignificant influence on financial distress. So it can be concluded that there is a difference

between the researchers' expectations and the test results obtained. The results obtained by the researchers were negative and not significant, this could be because as an independent commissioners, an independent attitude is needed in carrying out their duties, but sometimes an independent commissioner has a lack of independence, resulting in weak supervision and control over the company's management performance. As a result, an independent commissioners will have no influence on the occurrence of financial distress.

The conclusion is that variable X3 in the form of leverage has a positive and insignificant effect on financial distress. So it can be concluded that there is a difference between the researchers' expectations and the test results obtained. The results obtained by the researchers were positive and not significant, this could be because the company's financing used more debt than capital.

The conclusion on variable X4 in the form of liquidity states that liquidity, measured using the current ratio (CR) proxy, has a positive and insignificant influence on financial distress. So it can be concluded that there is a difference between the researchers' expectations and the test results obtained. The results obtained by the researchers were positive and not significant, this could be because the company did not have sufficient current assets to pay off its short-term debt which was due on time, so a new loan was made to pay off the debt which was due.

Based on the research that has been carried out and the conclusions drawn, this research still has limitations and shortcomings so it needs to be improved in further research. The first limitation is that the companies studied only include banking sector companies listed on the Indonesian Stock Exchange (BEI). This causes a lack of coverage in this research which does not include other sector companies. The second limitation is that the reporting period used is only three years, namely 2020-2022. This causes the research results to only cover that period. The third limitation is that there are only 4 independent variables used in this research that influence financial distress (Y). The independent variables used are managerial ownership (X1), independent board of commissioners (X2), leverage (X3), and liquidity (X4). There are many other independent variables that can influence financial distress. This is because there are limited time in conducting this research. The fourth limitation, researchers only use one proxy to calculate each variable.

Based on existing limitations, the researcher gave the first suggestion, namely adding companies in other sectors besides the banking sector so that research results could be compared. The second suggestion is to add a research period using the most recent period. This aims to see differences in research results that use longer and more recent research periods and to be able to describe the results of the overall situation required by stakeholders, not limited to 3 years. The third suggestion is to add other independent variables. This is to find out whether there is an influence of other independent variables on financial distress. The fourth suggestion is to use other proxies so that the research is more accurate and can compare results if there are differences.

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