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THE EFFECT OF OWNERSHIP STRUCTURE ON FINANCIAL DISTRESS: EVIDENCE IN INDONESIAN MANUFACTURING COMPANIES

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Abstract
This study aims to determine the effect of ownership structure on financial distress. The research method used in this study is quantitative methods and data collection techniques using purposive sampling. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. This research uses the panel data regression analysis technique. From testing the estimation model, it was found that the Fixed Effect Model was the chosen estimator. The classic assumption test is problematic, so the mode is changed to the GLS panel. The results of this study are Managerial Ownership, Institutional Ownership, and Foreign Ownership and have a negative influence on financial distress. The government Ownership variable does not affect financial distress.

INTRODUCTION

Throughout 2018-2020, many companies experienced liquidity difficulties that were triggered by a sharp decline in revenue. Many manufacturing companies have filed for bankruptcy and Penundaan Kewajiban Pembayaran Utang (PKPU). PKPU can be used as a financial way out from financial distress as long as it can be managed by the implementation of bankruptcy and PKPU (Fadli, 2020). It was recorded that from 2018 to 2020 there were 300 cases registered with the Supreme Court of the Republic of Indonesia regarding bankruptcy cases. Over the past three years, companies in Indonesia have recorded more than 300 companies that have had poor performance until they ended up in financial distress so they were delisted from the Indonesia Stock Exchange (IDX). Many factors take into account the IDX's delisting, one of which is the poor performance of the company. From 2018-2020, 12 companies were delisted from the Indonesia Stock Exchange, one of which Sekawan Intipratama Tbk (SIAP) was a plastic and packaging sub-sector company that was delisted from Indonesia Stock Exchange for reasons of poor company performance (Kayo, 2020).

Annither et al., (2020) mention that financial distress is a phenomenon where the company is in the stage before going to bankruptcy or liquidation. Indications or symptoms arising from financial distress according to Sari & Putri (2016) are cost reductions in all fields, cuts in employee salaries, massive layoffs,

and drastic drops in stock prices. Hapsari (2013) states that financial distress can be predicted when the company suffers losses for three consecutive years and there is no dividend distribution in more than one year. Financial difficulties can also be caused by errors that occur in the company, the low level of managerial skills in making decisions, and the weakness and lack of supervision of financial conditions. Valentina & Jin (2020) state that if the company's performance continues to decline, it is feared that the company will experience financial distress which will lead to company bankruptcy. In conclusion, financial distress is a condition of financial difficulty in a company in the form of a decrease in profit, the company's inability to pay debts, and obligations that are presented based on financial statements with financial comparisons of the previous period (Putri & Aminah, 2019).

One of the factors that can affect the financial condition of a company is the ownership structure (Udin et al., 2017). Managerial ownership is considered capable of aligning the interests of shareholders and management to improve financial performance and reduce financial distress (Damayanti et al., 2017). Institutional ownership is considered capable of reducing financial distress because the process of monitoring and supervising managers is carried out intensively (Nugrahanti et al., 2020). Foreign ownership demands transparency for every activity carried out by the company (Idarti & Hasanah, 2018). A more transparent monitoring process will prevent financial distress (Khan & Javid, 2016). Government ownership will help companies to get out of financial distress by injecting capital so that financial distress can be suppressed (Li et al., 2008).

Research on the effect of ownership structure on financial distress has been done before and showed different results.Valentina & Jin (2020);Setiyawan & Musdholifah (2020) found that managerial ownership has a negative effect on financial distress. Otherwise, Jannah et al., (2021) found that managerial ownership structure has a positive effect on financial distress. Yuriani et al., (2020) examines the impact of institutional ownership on financial distress and has the result that institutional ownership has a negative effect on financial distress. Different from Munandari & Suryana (2020) found that institutional ownership has a positive effect on financial distress. Annither et al., (2020) found that foreign ownership and government have a negative effect on financial distress. Otherwise, Khorraz & Dewayanto (2020) found that the structure of foreign ownership and the government has a positive effect on financial distress.

Bankruptcy is still an interesting issue and needs to be discussed in the research. Running a business is not without financial problems and this is difficult to avoid (Li et al., 2008). Many factors cause companies to fall into bankruptcy, one of which is poor financial performance (Hapsari, 2013). Every company is expected to be able to predict financial distress to be able to get out of financial problems and avoid bankruptcy. Setiyawan & Musdholifah (2020) state that the ability to predict financial distress is very important for every company to have.

Several inconsistent research results have been shown by previous researchers and the phenomena that occur regarding ownership structure so the current study wants to further examine the effect of ownership structure on financial distress. The difference between this study and previous research is that this study combines all the variables of ownership structure studied by previous researchers, namely managerial, institutional, foreign, and government ownership. The combination of ownership structure variables is intended to make the current research more comprehensive. In addition, previous studies measured financial distress using the Altman Z-score by grouping three categories and re-measured it with a dummy score. The current study will measure financial distress with the Altman Z-score without being grouped and using only the Z-score. The underlying reason is that the use of the Z-score can measure the level of financial distress more precisely.

This study aims to analyze the effect of ownership structure on financial distress. This research is based on agency theory or often also called agency theory. Jensen & Meckling (1976) show that agency conflicts arise because of the separation of duties and differences in interests between company ownership and company control. Syifa et al., (2017) state that when company experiences financial distress, this situation can trigger conflict between shareholders and managers (agency conflicts). Therefore, with the agency theory, the ownership structure can add to the supervisory mechanism within the company, which is expected to reduce agency conflict and financial distress.

Theoretically, the benefit of this research is to add empirical evidence of the effect of managerial ownership, institutional ownership, foreign ownership, and government ownership on financial distress. The practical benefit of this research is that it allows investors to invest in companies whose ownership structure can reduce financial distress. The next benefit for the company is input for decision-making to achieve company goals.

METHOD

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period. The reason for choosing a manufacturing company as a sample is because manufacturing companies consist of various industrial sub-sectors, so that they can reflect the amount of data obtained. Another reason that underlies the choice of manufacturing companies is that since the last three years many manufacturing companies have experienced financial difficulties (Muamar, 2020). The research period is 2018-2020 because the data is the latest. The sampling technique in this study used purposive sampling with the following criteria:

Table 1. Population and Sample

Description	Amount
The population of manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020	154
Companies that do not publish annual reports and financial statements for the 2018-2020 period	-13
Companies that carry out mergers and acquisitions during the 2018-2020 period	-2
Number of samples accepted (i)	139
Number of years (t)	3
Number of observations (i*t)	417
Test data outliers	-22
Number of Final Observations	395

Financial Distress is the dependent variable in this study and is measured using the Altman Z-score. Altman Z-Score uses a linear equation formed from several variables included in the ratio scale (Udin et al., 2017). According to Kazemian et al. (2017) Z-score is a fairly accurate method for predicting financial distress compared to other methods (Springrate, Zmijewski, Foster, and Gover) and is very useful for managers, investors, and stakeholders in the future. Altman Z-score represents four ratios, namely liquidity, profitability, leverage or solvency, and performance (Fitri & Dillak, 2020). The purpose of using the Altman Z-score is to accommodate a more precise level of financial distress. The higher the Z-Score value, the lower the level of financial distress in a company(Altman, 1968;Yati & Afni Patunrui, 2017;Udin et al., 2017)

Altman Z-score is formulated as follows:

$$Z = 0.012X_1 + 0.014X_2 + 0.033X_3 + 0.006X_4 + 0.0999X_5$$

Where X_1 represents ratio of working capital to total assets, and X_2 stands for ratio of retained earnings to total assets, and X_3 stands for ratio of earnings before interest and taxes (EBIT) to total assets, X_4 stands for ratio of stock market value to total debt, and X_5 stands for ratio of sales to total assets, while Z represents overall index.

Table 2. Measurement of Independent Variables

Variable	Definition	Measurement Formula	Source
Managerial Ownership (MO)	Managerial ownership is the percentage of shares owned by management in a company.	MO = (Number of managerial shares) / (Total shares outstanding) × 100%	Udin et al., (2017).
Institutional Ownership (IO)	Institutional ownership refers to the percentage of shares owned by an institution to the total shares issued by the company	IO = (Total shares of institutional shares) / (Total shares outstanding) × 100%	Udin et al., (2017).
Foreign Ownership (FO)	Foreign ownership refers to the proportion of ordinary shares of individuals, legal entities, governments, and some companies with the status of foreign companies (overseas).	FO = (Total shares of foreign shares)/ (Total shares outstanding) × 100%	Udin et al., (2017).
Government Ownership (GO)	Government ownership refers to the number of shares owned by the government as a state representative in a company	GO = (Total shares of the government)/ (Total shares outstanding) × 100%	Udin et al., (2017).

This study will only use the results of the Z-score without using 3 grouping categories to classify the state of the company before the company goes bankrupt.

Table 3. Measurement of Control Variables

Variable	Definition	Measurement Formula	Source
Profitability (ROA)	Profitability (ROA) is a measurement of the income available to company owners on the capital they invest in the company.	ROA = Net Profit/Total Assets	Kazemian et al. (2017).
	Institutional ownership refers to the percentage of shares owned by an institution to the total shares issued by the company	IO = (Total shares of institutional shares) / (Total shares outstanding) × 100%	Udin et al., (2017).
Leverage (DR)	Leverage (DR) is one of the variables that should be taken into account because if the company has a lot of debt and is unable to pay it off, then the company can fall into financial distress.	DR = Total debt/Total equity	Kazemian et al. (2017).
	Government ownership refers to the number of shares owned by the government as a state representative in a company	GO = (Total shares of the government)/(Total shares outstanding) × 100%	Udin et al., (2017).
Liquidity (CR)	Liquidity (CR) is one of the important variables in determining the possibility of financial distress. This is because the level of liquidity can indicate the level of financial distress.	CR = Current assets/Current liabilities	Kazemian et al. (2017).
Dummy Score Time Annual Report Manufacturing Company (DS)	The Dummy Score (DS) variable to clarify the description of the time or data period in this study is intended to determine the difference in the effect of each independent variable on its bound in each time condition, namely before and during the COVID-19 pandemic.	There are two time periods in the form of a dummy, namely before the Coronavirus Pandemic (reports of manufacturing companies in 2018 and 2019) which are denoted by the number 0, and during the Coronavirus Pandemic (reports of manufacturing companies in 2020) which are denoted by the number 1. Annual reports of manufacturing companies measured using a dummy variable concerning research	Kinasih, (2021).

The independent variables in this study are managerial ownership, institutional ownership, foreign ownership, and government ownership. Table 2 shows the measurement of the independent variables used in this study.

The control variables in this study are profitability, leverage, liquidity, and dummy score. Table 3 shows the measurement of the control variables used in this study. The analysis technique used in this research is panel data regression for hypothesis testing. Before testing the classical assumptions, descriptive statistical analysis was carried out first to explain the spread of the data, such as the minimum value, median value, maximum value, average value and standard deviation. Then the classical assumption test is carried out consisting of 4 types of classical assumptions namely Normality, Heteroscedasticity, Autocorrelation, and Multicollinearity (Winarno, 2015). To find out which estimation method is appropriate to use, it is necessary to perform the Chow test (compare between common effects and fixed effects) and Haussman Test (compare between fixed effects and random effects) (Nugrahanti & Puspitasari, 2018). Panel data regression analysis will be used in testing the hypothesis in this study. The higher the Z-Score obtained, the lower the level of financial distress in a company (Altman, 1968;Yati & Afni Patunrui, 2017;Udin et al., 2017). The hypothesis test will be carried out through the following analysis model:

$$Z\text{-score}_{it} = \alpha + \beta_1 MO_{it} + \beta_2 IO_{it} + \beta_3 FO_{it} + \beta_4 GO_{it} + \beta_5 ROA_{it} + \beta_6 DR_{it} + \beta_7 CR_{it} + \varepsilon_{it}$$

Where α represents Constant, and β stands for Regression Coefficient, MO stands for Managerial Ownership, IO represents Institutional Ownership, and FO stands for Foreign Ownership, GO stands for Government Ownership, ROA stands for Return on Asset (profitability), DR stands for Debt Ratio (leverage), and CR stands for Current Ratio (liquidity), i stands for data cross section, and t stands for data time series ε represnts error.

RESULTS

Descriptive statistical data is used to identify the minimum value, maximum value, average value, and standard deviation of each variable indicator. The results of the description of the research variable data are shown in the following table:

Table 4. Results of Statistical Descriptive Analysis

Research variable	mean	Med	Max	Min	Standard Deviation	N
FD	0.135	0.109	1,810	-0.071	0.134	395
MO	9,020	0.050	94,450	0.000	20,476	395
IO	46,153	51,180	99,550	0.000	32,623	395
FO	29,159	13,890	99,850	0.000	33,084	395
GO	3,599	0.000	90.030	0.000	15,367	395
ROA	0.038	0.028	1,966	-1.049	0.161	395
DR	-0.840	0.875	138,630	-7,535	39,148	395
CR	2,892	1,605	208,444	0.004	10,368	395
DS	0.333	0.000	1,000	0.000	0.471	395

Source: Secondary Data Processed, 2021

Table 4 shows the amount of data (observations) studied as 395 data. Financial Distress and Institutional Ownership variables have an average value (mean) that is greater than the standard deviation. This shows that the research data are grouped or not varied. Meanwhile, the variables of Managerial Ownership, Foreign Ownership, Government Ownership, Debt Ratio (leverage), Current Ratio (liquidity), and Dummy Score have an average value (mean) which is smaller than the standard deviation. This shows that the research data are not grouped or varied.

Financial distress variable as the dependent variable (Y) has a minimum value of -0.071, a maximum value of 1.810, an average value of 0.135, and a standard deviation of 0.134. The mean value of 0.135 (13.5%) indicates that the average financial distress of the sample companies studied is 13.5% of the total earnings quality. The average financial distress in this study has a relatively small probability of experiencing bankruptcy, where all manufacturing companies in this study have a 13.5% probability of experiencing financial distress. The minimum value for the variables of Managerial Ownership, Institutional Ownership, Foreign Ownership, and Government Ownership shows several 0.

Table 5. Conclusion of Panel Data Regression Test

	Results	Conclusion of the right model
Chow Test (chi-square cross-section)	0.0000	Fixed Effect Model (FEM).
Hausman Test (random cross-section)	0.0000	fixed effects model (FEM).
Langrage Test (breusch pagan both)	The test is stopped and there is no need to continue to the Lagrange Multiplier Test.	

Source: Secondary Data Processed, 2021

The results of the Chow test above show the probability value of the Chi-square Cross-section of 0.0000 which is smaller than the significance level of 0.05 which indicates that the probability value (p-value) <0.05, then following the decision-making provisions that H1 is accepted or modeling. Which is better between FEM and CEM is the Fixed Effect Model (FEM). Furthermore, the test continued with the Hausman test. The Hausman test results show a random cross-section p-value of 0.0000 which is smaller than the significance value of 5% or 0.05. Based on these data, it can be concluded that the appropriate research model for hypothesis testing is the fixed effect model (FEM). According to Gujarati and Porter (2009) when performing the Hausman test and the model that is selected and correct is the fixed effect model (FEM), the test is stopped and does not need to be continued to the Lagrange Multiplier Test.

Table 6. Conclusion of Classical Assumption Test

	Normality Test (Jarque-Bera prob)	Heteroskedasticity Test (Prob. Chi-Square value, Obs*R-squared)	Autocorrelation Test (Durbin Watson stat)	Multicollinearity test (correlation value between variables > 0.8)
Results	132133.6	0.0000 > 0.05	1.96	No value > 0.8
Conclusion	Data is not normally distributed	There is a heteroscedasticity problem	It is between 1.54 and 2.46. Free from autocorrelation problems.	There is no multicollinearity

Source: Secondary Data Processed, 2021

The results of the classical assumption test found several obstacles, and obstacles in carrying out normality tests and heteroscedasticity tests. So this study analyzes data outliers, eliminating extreme points. Data is said to be outlier if Z-score > 3 or < -3 (Winarno, 2015). There were 22 outlier data in this study, so the number of observations was 395. The results of the outlier data still did not pass the normality and heteroscedasticity tests. It was decided that the appropriate research model for hypothesis testing was the GLS Panel.

Gujarati & Porter (2009) states that if the selected estimator model test uses GLS Weights, the classical assumption test does not need to be carried out. An estimator that is General Least Square (GLS) is a model that is classified as Best Linear Unbiased Estimation (BLUE) or modeling that is free from bias, so the classical assumption test does not need to be carried out.

The results of the model estimator test showed that the GLS Panel was the most appropriate estimator in this study and was used as the basis for hypothesis testing.

Table 7. GLS Panel Test Results

Hypothesis	Regression Coefficient	t-Statistics	Probability	Conclusion
MO → FD	0.033	3,763	0.000	H1 Accepted
IO → FD	0.016	2.314	0.021	H2 Accepted
FO → FD	0.020	2.479	0.013	H3 Accepted
GO → FD	-0.018	-1.923	0.055	H4 Rejected
ROA → FD	0.471	23250	0.000	Negative Effect
DR → FD	-0.000	-2.777	0.005	Negative Effect
CR → FD	0.004	6.038	0.000	Negative Effect
DS → FD	-0.000	-2,684	0.007	Positive Effect

Source: Secondary Data Processed, 2021

According to Ghozali (2018) the coefficient of determination R-squared test is used as an indicator to find out how much influence the independent variable has on the dependent variable. The output of the Fixed Effect Model with GLS Weights shows the adjusted r-squared value of 0.67 or 67%. The independent variables used in this study were able to influence the dependent variable by 67%, while 33% of the effect could be obtained from other independent variables, outside of the independent variables in this study.

Simultaneous F test is used to find out whether the independent variables simultaneously or together can influence the dependent variable so that the selected model can be said to be fit (Ghozali, 2018). The test output in this study shows the Prob value (F-statistic) is less than 0.05, which is 0.000. The variables of managerial ownership, institutional ownership, foreign ownership, government complexity (independent variable) as well as profitability, leverage, liquidity and dummy score (control variable) can simultaneously affect financial distress (dependent variable). These results conclude that the selected model meets the goodness of fit to predict the performance of the company.

Ghozali (2018) states that the partial t-test is used to see the effect of each independent variable on the dependent variable. Based on the partial t-test output on Fixed Effect Model with GLS Weights, it can be seen that the probability value of managerial ownership is 0.000 <0.05 or less than 0.05 significance with a positive regression coefficient. It can be concluded that the first hypothesis is accepted. The probability value of institutional ownership is 0.021 < 0.05 or less than 0.05 significance with a positive regression coefficient. It can be concluded that the second hypothesis is accepted. The probability value of foreign ownership is 0.013 < 0.05 or less than 0.05 significance with a positive regression coefficient. It can be concluded that the third hypothesis is accepted. The probability value of government ownership is 0.055 > 0.05 or greater than 0.05 significance with a negative regression coefficient. This shows that government ownership does not affect financial distress and this is not in line with the hypothesis that government ownership has a negative effect on financial distress. It can be concluded that the fourth hypothesis in the study is not supported, because the results are contrary to the hypothesis.

Positive regression coefficient on managerial ownership, institutional ownership, and foreign ownership means that the higher the foreign ownership, the higher the Z-score. The higher the Z-score obtained, the lower occurrence of financial distress.

DISCUSSION

First, this study finds managerial ownership has a negative effect on financial distress. The higher the managerial ownership, the higher the Z-score. The higher the Z-score, the lower occurrence of financial distress. These results are consistent with agency theory which states that managerial ownership can be used to reduce agency conflict because managerial ownership can align the interests of the principal and the agent (Jensen & Meckling, 1976). With the ownership of shares by the management, there will be supervision of the policies that will be taken by the company's management to improve financial performance, reduce agency conflicts, and make decisions that do not harm the company. Alignment of these interests can prevent the occurrence of

financial distress. The results of the study following with Damayanti et al., (2017) and Valentina & Jin (2020) states that managerial ownership has a negative effect on financial distress. Different results Idarti & Hasanah (2018) and Maghfiroh & Isbanah (2020) states that managerial ownership does not affect financial distress.

Second, institutional ownership in this study was found to have a negative effect on financial distress. The higher the institutional ownership, the higher the Z-score. The higher the Z-score, the lower occurrence of financial distress. This shows following agency theory which states that the presence of large institutional ownership (more than 5%) indicates the ability to monitor the company. The greater the institutional ownership, the more efficient the utilization of company assets, so that the potential for financial distress can be minimized (Jensen & Meckling, 1976). Institutional ownership prefers long-term performance so that the process of monitoring and supervising managers becomes more intensive (Nugrahanti et al., 2020). A more intensive monitoring process will prevent managers from making decisions that can cause financial distress. The theoretical interpretation of the results of this study agrees with agency theory, where institutional shareholders can minimize agency problems because institutional shareholders act as agents to monitor management and company policies in protecting the rights of shareholders. The results of this study are following with Nugrahanti et al., (2020) and Yuriani et al., (2020) which states that institutional ownership in a company has a negative effect on financial distress. This result contradicts the research Sunarwijaya (2017) and Putra & Muslih (2019)which states that institutional ownership does not affect financial distress.

Third, foreign ownership was found to have a negative effect on financial distress. The higher the foreign ownership, the higher the Z-score. The higher the Z-score, the lower occurrence of financial distress. Foreign ownership demands transparency of every activity that uses capital from investors so that the supervision process is carried out strictly (Udin et al., 2017). Foreign owners are more profit-oriented and have more sophisticated technology than local owners. Technology transfer will improve company performance and a more transparent supervisory process will prevent agency conflicts and managerial decision making that can cause financial distress. The theoretical interpretation in the study accepts agency theory which describes the presence of foreign shareholders in a company that can contribute as good monitors and controllers, providing supervisors with more incentives to maintain the performance of the company to minimize opportunities for financial distress. The results of this study are following Khan & Javid (2016) and Annither et al., (2020) which states that foreign ownership has a negative effect on financial distress. This result contradicts the research of Idarti & Hasanah(2018) and Maghfiroh & Isbanah (2020) which states that foreign ownership does not affect financial distress.

Fourth, government ownership in this study was found to have no negative effect on financial distress. This shows that government ownership in Indonesia is relatively small, this can be seen from the few state-owned companies. The minimum percentage of shares controlled by the government in companies is because the government is more focused on channeling its funds to state-owned companies. The small share of government shares is also another reason why government ownership does not affect financial distress. The very small percentage of ownership has an impact on the lack of government role in supervising and saving companies from the risk of financial distress. The interpretation of the theory in this study does not support agency theory, where the company with government ownership, the company will have stronger protection from the threat of financial distress. Government ownership will help in the form of capital injections or relief in terms of taxes that can help companies continue to run company operations and reduce the risk of financial distress. The practical interpretation of this finding is that companies need to consider the percentage of government share ownership so that the role of government protection in a company can be more optimal so that company performance can be improved and avoid the risk of financial distress. The results of this study are in accordance with Government ownership will help in the form of capital injections or relief in terms of taxes that can help companies continue to run company operations and reduce the risk of financial distress. The practical interpretation of this finding is that companies need to consider the percentage of government share ownership so that the role of government protection in a company can be more optimal so that company performance can be improved and avoid the risk of financial distress. The results of this study are in accordance with Government ownership will help in the form of capital injections or relief in terms of taxes that can help companies continue to run company operations and reduce the risk of financial distress. The practical interpretation of this finding is that companies need to consider the percentage of government share ownership so that the role of government protection in a company can be more optimal so that company performance can be improved and avoid the risk of financial distress. The results of this study are in accordance with The practical interpretation of this finding is that companies need to consider the percentage of government share ownership so that the role of government protection in a company can be more optimal so that company performance can be improved and avoid the risk of financial distress. The results of this study are in accordance with The practical interpretation of this finding is that companies need to consider the percentage of government share ownership so that the role of government protection in a company can be more optimal so that company performance can be improved

and avoid the risk of financial distress. The results of this study are in accordance with Fadhilah & Syafruddin (2017) and Khorraz & Dewayanto (2020) which states that government ownership does not affect financial distress. This result contradicts the research Udin et al., (2017) and Annither et al., (2020) which states that government ownership has a negative effect on financial distress.

Fifth, the profitability control variable in this study was found to have a negative effect on financial distress.It means,the higher the profitability, the less likely the company is to experience financial distress. Research results from Syifa et al., (2017); Setiawan & Putra (2019); Setiyawan & Musdolifah (2020) shows that profitability has a negative effect on financial distress.

Sixth, the leverage control variable in this study was found to have a negative effect on financial distress. That is, the higher the leverage ratio, the higher the obligations to be paid and the higher the risk of business failure (default) that will be experienced by the company (Nugrahanti et al., 2020). Therefore, the higher the leverage ratio, the higher the financial distress faced by a company. Research results from Setiyawan & Musdolifah (2020); Valentina & Jin (2020); Jannah et al., (2021) shows that leverage has a negative effect on financial distress.

Seventh, the liquidity control variable in this study was found to have a negative effect on financial distress. That is, the higher the level of liquidity, the more current assets provided to meet its short-term obligations so that the company can overcome financial distress. Research results from Hapsari (2013); Al-Hadi et al., (2017); Jannah et al., (2021) shows that liquidity has a negative effect on financial distress.

Eighth, the Variable Dummy Score (DS) to clarify the description of the time or period of data in this study is intended to determine the difference in the effect of each independent variable on its bound in each time condition, namely before and during the COVID-19 pandemic. There are two time periods in the form of a dummy, namely before the Coronavirus Pandemic (reports of manufacturing companies in 2018 and 2019) which are denoted by the number 0, and during the Coronavirus Pandemic (reports of manufacturing companies in 2020) which are denoted by the number 1. Annual reports of manufacturing companies measured using a dummy variable with reference to research Kinasih (2021). The dummy score in this study was found to have a positive effect on financial distress. This means that the COVID-19 pandemic has exacerbated financial distress.

CONCLUSION

The conclusion in this study is that managerial ownership has a negative effect on financial distress. This is because managerial ownership seeks to improve the performance and value of the company because by increasing the performance and value of the company it is hoped that the welfare of the shareholders will be achieved, be more careful in making decisions that can reduce the occurrence of financial distress. Institutional ownership has a negative effect on financial distress. This is because institutional ownership prefers long-term performance so that the process of monitoring and supervising managers becomes more intensive. A more intensive monitoring process will prevent managers from making decisions that can cause financial distress. Foreign ownership has a negative effect on financial distress. This is because foreign ownership is more professional in carrying out its supervisory and control functions and provides more incentives to management, thereby motivating management to work optimally and improve financial performance and reduce the occurrence of financial distress. Government ownership does not affect financial distress. This is due to the low percentage of shares controlled by the government. The government is more focused on channeling its funds to state-owned companies. The small share of government shares is also another reason why government ownership does not affect financial distress. There by motivating management to work optimally and improve financial performance and reduce the occurrence of financial distress.

Limitations in this study, the independent variable studied, namely ownership structure does not add the variables of family ownership and public ownership. The range of years studied is only in 2018-2020. The measurement of financial distress in this study only uses the Altman Z-score. Suggestions on the theoretical aspect for future researchers are to use different research objects, larger sample sizes, and longer research periods to add and develop insights. In this study, the adjusted r-squared value was 0.67 or 67%. This means that there are 33% of other variables that can affect the company's level of financial distress. Added family ownership and public ownership variables. Further researchers can add other calculation models such as the Springrate, Zmijewski, Grover, Ohlson models so that there is variation in calculating financial distress. Add moderating variables to find out which variables can strengthen or weaken the relationship between the independent and dependent variables.

Suggestions on the practical aspect, for the manufacturing sub-sector companies studied, should further improve and pay attention to the expertise of the management in managing the company. This can make the company immediately get out of financial distress. By increasing the monitoring function on managerial ownership, institutional ownership, and foreign ownership and increasing government ownership. Investors should be able to invest in companies whose ownership structure can reduce financial distress.

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