EFFECT OF FINANCIAL INDICATORS AND GOOD CORPORATE GOVERNANCE STRUCTURE ON STOCK PRICE WITH FINANCIAL DISTRESS AS ANINTERVENING VARIABLE

Dewi Silvia,SE.,MM[1], Meita Sekar Sari S.Pd.,M.S.Ak[2]

Mitra Lampung Higher Education (UMITRA)
Jl.ZA. Pagaralam No 7 Gedung Meneng Rajabasa Bandar Lampung
dewisilvia@umitra.ac.id[1], meita@umitra.ac.id[2]

ABSTRACT

This study aims to test the effect of Financial Iindicator and Good Corporate Governance on stock price with Financial Distress as an intervening variable in conventional banking companieslisted on the Indonesia stock exchange (IDX) in the period of 2013-2017. The populations in this study were 5 conventional banking companies listed on the Indonesia stock exchange (IDX) in the period of 2013-2017 and the sampling technique used ramdom sampling method. This study used path analysis. The study results indicated that (1) the ratio of Liquidity had a significant effect on Financial Distres. (2) the ratio of Leverage had a significant effect on Financial Distres. (3) the ratio of Profitability had a significant effect on Financial Distress. (4) Corporate Governance structure had no significant effect on Financial Distress. (5) Financial Distress had a significant effect on the stock price

Keywords: Liquidity, Leverage, Profitability, Corporate Governance, Stock Price

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh Financial Iindicator dan Good Corporate Governance terhadap Harga Saham dengan Financial Distress sebagai variabel intervening pada perbankan konvensional yang terdaftar di Bursa Efek Indonesia (BEI) periode 2013-2017. Populasi dalam penelitian ini 5 perbankan konvensional yang terdaftar di Bursa Efek Indonesia (BEI) periode 2013-2017 dengan teknik pengambilan sampel menggunakan metode ramdom sampling Penelitian ini menggunakan teknik analisis jalur (Path Analisis). Hasil dari penelitian ini menunjukkan bahwa (1) Rasio Likuiditas berpengaruh signifikan terhadap Financial Distres. (2) Rasio Leverage berpengaruh signifikan terhadap Financial Distres. (3) Rasio Profitabilitas berpengaruh signifikan terhadap Financial Distress. (4)Struktur Corporate Governance tidak berpengaruh signifikan terhadap Financial Distress. (5) Financial Distress berpengaruh signifikan terhadap harga saham

Kata kunci: Likuiditas, Lavarage, Profitabilitas, Corporate Governance, Harga Saham

INTRODUCTION

The level of financial health of Banks can be assessed using several indicators. One indicator that is often used to determine the condition or state of a bank's finances is the bank's financial statements. In addition to knowing the financial condition of banks, the bank's financial statements can also be used to determine the outcomes of banking operations in the short and long terms and they can be used as a tool to make decisions for various parties to determine the steps to be taken. Based on the financial statements, a number of financial ratios can be calculated which are commonly used as a basis for assessing the financial health of a bank. Financial ratios are information that can be used as a tool to predict financial performance.

Table 1.1. Profit of 5 Conventional Banking Companies listed on the Stock Exchange in 2013-2017

		In million rupiah				
		Year				
No	Bank Name	2013	2014	2015	2016	2017
1	Mandiri Bank	18,829,934	20,654,783	21,152,398	14,650,163	21,443,042
2	BRI Bank	21,354,330	24,226,601	25,410,788	26,227,991	29,044,334
3	Bank BNI	9,057,941	10,829,379	9,140,532	11,410,196	13,770,592
4	Bank BTN	1,562,161	1,145,572	1,850,907	2,618,905	3,027,466
5	BTPN Bank	2,139	1,826	1,583	1,463	751

Source: Indonesia Stock Exchange, Lampung Branch

From table 1.1 it can be seen the profit generated by 5 (five) Conventional Banks listed on the IDX in the last 5 (five) years. It can be seen that Mandiri Bank experienced a decline in profits in 2016. BRI experienced an increase in profits every year. In 2015 BNI Bank experienced a decline in profits and the profits began to increase again in 2016 and 2017. BTN Bank experienced a decline in profits in 2014 and the profits increased again in 2015 to 2017. Meanwhile, BTPN Bank experienced a decline in profits every year.

A series of mistakes, improper decision making, and interconnected weaknesses that can contribute directly or indirectly to management as well as the absence or lack of effort to monitor financial conditions so that the use of finance is not in accordance with the needs can lead to financial difficulties. Based on the increase and decrease in profits of the five Conventional Banks and differences in the results of previous studies, the financial performance and corporate governance structure in generating influence on financial distress varied between companies and the influence of financial distress on stock prices also varied in every company. Therefore, the authors choose the title **"Effect of Financial Indicators and Good Corporate Governance Structure on Stock Price with Financial Distress as an Intervening Variable in Conventional Banking Companies Listed on the IDX in 2013-2017"**

Based on the background of the problems above, the formulations of the problems in this study are:

1. What is the effect of the Liquidity Ratio on Financial Distress in conventional banking companies listed on the IDX in 2013-2017?
2. What is the effect of Leverage Ratio on Financial Distress in conventional banking companies listed on the IDX in 2013-2017?
3. What is the effect of the Profitability Ratio on Financial Distress in conventional banking companies listed on the IDX in 2013-2017?

4. What is the effect of the Good Corporate Governance Structure on Financial Distress in conventional banking companies listed on the IDX in 2013-2017?
5. What is the effect of Financial Distress on Stock Price in conventional banking companies listed on the IDX in 2013-2017?

LITERATURE REVIEW

2.1 Financial Distress

According to Fahmi, Irham, 2014, "financial distress starts from the inability to fulfill its obligations, especially short-term obligations including liquidity obligations and also obligations in the solvability category". According to Rudianto, 2013 "financial failure (financial distress) means that the company cannot fulfill its obligations when they must be fulfilled, even though the total value of the asset exceeds its total obligations.

Financial distress is a condition before bankruptcy. Investors always pay attention to the opportunity for company financial distress because it will affect the company's value and stock value. According to Widarjo and Setiawan (2009), financial distress is the stage of decreased financial conditions before the occurrence of bankruptcy or liquidation. In general, signals of financial distress can be seen from company violations or debt agreements with creditors and a reduction or elimination in paying dividends (Fitdini, 2009).

2.2 The Structure of Good Corporate Governance

Corporate governance is a system, process, and set of rules that govern the relationship between various stakeholders, the relationship between shareholders, the board of commissioners and the board of directors in order to achieve organizational goals (Triwahyuningtias, 2012). Corporate governance is intended to regulate those relationships and prevent significant errors in corporate strategy and to ensure that errors can be corrected immediately (Triwahyuningtias, 2012).

Corporate governance structure is a relationship between the parties that make decisions with those who exercise control or supervision of decisions (Fitdini, 2009). Corporate governance structure is directed to guarantee and supervise the system in an organization and is expected to control the agency costs. The corporate governance structure used in this study referred to previous study conducted by Emrinaldi (2007) and Triwahyuningtias (2012) which were related to institutional ownership, managerial ownership, the board size, independent commissioners and the size of the audit committee.

2.3 Stock price

According to Kamaludin and Inriani (2012), stock can be defined as a sign of participation or ownership of a person or entity in a company. The form of stock is a piece of paper that explains that the owner of the paper is the owner of the company that issues the paper. Meanwhile, according to Fahmi (2012) stock is a proof of the participation of capital/funds ownership in a company. From some definitions of stock above, it can be concluded that stocks are securities of companies that are traded and the shareholders have a role and interest in the company that issues the shares.

RESEARCH METHOD

The study design used in this study was quantitative study. The design of this study would test the financial ratios and corporate governance structure to predict financial distress on stock price.
The Study design can be described as follows:

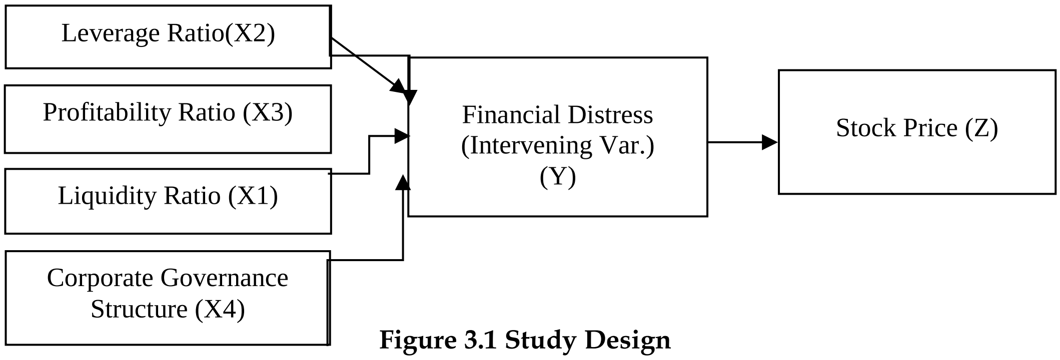


Figure 3.1 Study Design

The population in this study were 5 (five) Conventional Banking Companies listed on the IDX for the period of 2013-2017. Sample collection technique used in this study was simple random sampling. Analysis of the data used in this study included: **Path Analysis, Path Analysis Coefficient, Model Goodness Test, Data Preparation, Data Classification, Data Processing, and Interpretation of Data Processing**

DISCUSSION

4.1 Path Analysis

Regression Model I

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874[a]	.765	.647	.35844

a. Predictors: (Constant), Audit Committee, Rentability, Liquidity, Ind. Commissioner, Ownership of Mnj, DD & DK, Leverage, Inst. Ownership

Table 4.2. Results of R Square in Regression Model I

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	4.383	4.692		.934	.364
	Liquidity	11.148	5.469	.463	2.038	.048
	Leverage	1052.119	4.135	.016	2.053	.000
	Profitability	5489.711	1.178	.179	2.707	.038
	Inst. Ownership	6.631	2.002	1.383	1.312	.881
	Managerial Ownership	-.120	1.064	-.025	-.113	.911
	BoD &BoC	-.003	.110	-.006	-.024	.981
	Independent Commissioner	-1.644	1.169	-.215	-1.406	.179
	Audit Committee	-.171	.109	-.375	-1.569	.136

a. Dependent Variable: Financial Distress

Table 4.3Results of Coefficient Test in Regression Model I

Regression Model II

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.729[a]	.532	.511	2757.78270

a. Predictors: (Constant), Financial Distress

Table 4.4Results of R Square Test in Regression Model II

Coefficients[a]

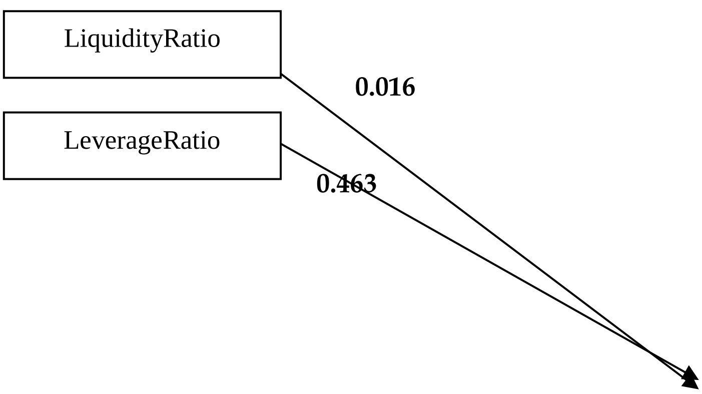
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-10573.604	3317.829		-3.187	.004
	Financial Distress	4768.860	933.140	.729	5.111	.000

a. Dependent Variable: Stock Price

Table 4.5 Results of Coefficient Test in Regression Model I

4.2 Path Analysis Coefficientin Model I

From the output of the Model I Regression in the Coefficient table, it can be seen that the significance value of each variable varies. The value of R^2 or R Square found in the Model Summary table was 0.765. This showed that the contribution of the effect of X1 to X8 on Y was as much as 76.5% while the remaining 23.5% was from the contribution of other variables not included in the study. Meanwhile, for the value of $e_2 = \sqrt{(1-0.765)} = 0.4848$. Thus the structure path diagram in model I is as follows:



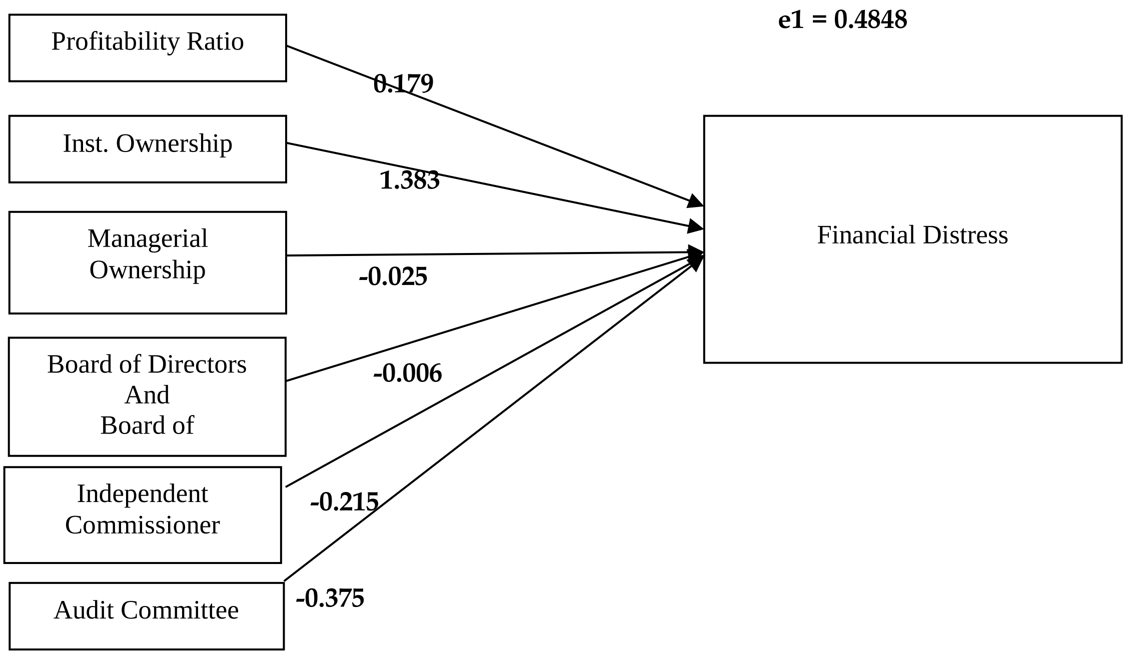
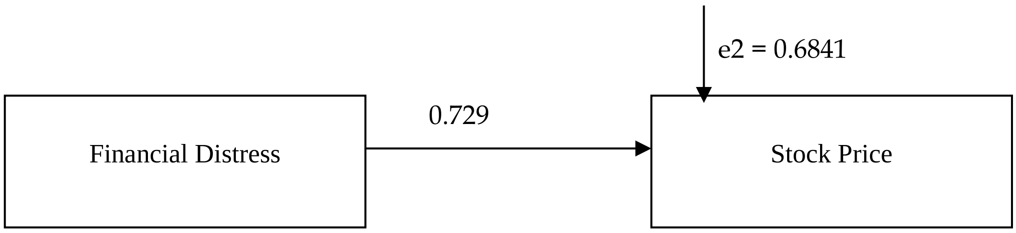


Figure 4.3 Structure Path Diagram inModel I

4.3 Path Analysis Coefficient in Model II

From the output of the Model II Regression in the Coefficient table, it can be seen that the significance value of each variable varies. The value of R2 or R Square found in the Model Summary table was 0.532. This showed that the contribution of the effect of Y on Z was as much as 53.2% while the remaining 46.8% was from the contribution of other variables not included in the study. Meanwhile, for the value of $e2 = \sqrt{(1-0.532)} = 0.6841$. Thus the structure path diagram in model II is as follows:



4.3.1.1 Test of Model I

In the Coefficient tableof Model I, it can be seen that the significance value of each variable varies. X1 to X3 variables had sig values of <0.05 which meant that X1, X2 and X3 variables had a significant effect on Y. Meanwhile, X4 to X8 variables had a significance value of > 0.05, which meant that X4 to X8 variables had no significant effect on Y.

4.3.1.2 Test of Model II

In the Coefficient tableof Model II, it can be seen that the significance value of variable Y had a significance value of 0.000 which was less than 0.05, which meant that Y variable had a significant effect on Zvariable.

4.4 Discussion

4.4.1 Liquidity RatioHad an Effect on Financial Distress

Based on the results of data analysis that has been done, the liquidity ratio had a significance level value of 0.048 which was less than the significance level that has been set of 0.05. Then the first hypothesis which stated that liquidity ratio had an effect on Financial Distress was accepted

4.4.2 Leverage RatioHad an Effect on Financial Distress

Based on the results of data analysis that has been done, the leverage ratio had a significance level value of 0.000 which was less than the significance level that has been set of 0.05. Then the second hypothesis which stated that leverage ratio had an effect on Financial Distress was accepted

4.4.3 Profitability Ratio Had an Effect on Financial Distress

Based on the results of data analysis that has been done, the profitability ratio had a significance level value of 0.038 which was less than the significance level that has been set of 0.05. Then the third hypothesis which stated that profitability ratio had an effect on Financial Distress was accepted.

4.4.4 Corporate Governance Structure had an Effect on Financial Distress

Based on the results of the data analysis that has been done, each sub-variable of the Corporate Governance Structure obtained respective value of significance level which was greater than the level of significance that has been set of 0.05.

Institutional Ownership showed a significance value of 0.881> 0.05, which meant that Institutional Ownership had no significant effect on Financial Distress. Jensen and Meckling (2006) stated that institutional ownership had a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors was considered capable of being an effective monitoring mechanism in every decision taken by the manager, but the ownership of shares owned by the institution could not control the performance of managers, so that institutional ownership did not have an impact on financial difficulties.

Managerial Ownership showed a significance value of 0.911> 0.05, which meant that Managerial Ownership had no significant effect on Financial Distress.

The number of Board of Directors and Board of Commissioners resulted in significance value of 0.981> 0.05, which meant that the number of Board of Directors and Board of Commissioners had no significant effect on Financial Distress. Thus, in this case the important thing is not how many members of the board of directors, but how effective is the board of directors in carrying out its duties and responsibilities. Therefore the size of the board of directors had no effect on financial difficulties.

The Independent Commissioners showed a significance value of 0.179> 0.05, which meant that the Independent Commissioners had no significant effect on Financial Distress. The proportion of independent commissioners did not have an influence on financial difficulties. This is due to the fact that the indipendence attitude of independent commissioners is indispensable in carrying out their duties, but sometimes an independent commissioner has a lack of independence attitude, which can lead to weak supervision on the company's management performance, so it will not have an influence on the occurrence of financial distress.

The Audit Committee showed a significance value of 0.136 > 0.05, which meant that the Audit Committee had no significant effect on Financial Distress. The size of the audit committee could not be used as a benchmark because the audit was considered unable to avoid the possibility of financial distress. The more the audit committee members the more difficult to achieve the decision agreement in performing their performance. Whereas the less number of the audit committee members the less diversity of skills and knowledge so that it became ineffective and the Audit Committee had no significant effect on Financial Distress. Thus, the fourth hypothesis which stated that the Corporate Governance Structure had an effect on Financial Distress was rejected.

4.4.5 Financial Distress had no significant effect on stock price

Based on the results of data analysis that has been conducted, it was obtained that Financial Distress had a significance level value of 0.000 which was less than the significance level that has been set of 0.05. Thus, the fifth hypothesis which stated that Financial Distress had no effect on Financial Distress was rejected.

CONCLUSION

Based on the results of the analysis and test of data on the effect of Financial Indicators consisting of Liquidity Ratio, Leverage Ratio, and Profitability Ratio and Corporate Governance Structure on Stock Price, Financial Distress as an intervening variable in conventional banking companies listed on the Indonesia Stock Exchange in 2013-2017, the conclusions are as follows:

1. The Liquidity Ratio had a significant effect on Financial Distress
2. Leverage ratio had a significant effect on Financial Distress
3. Profitability ratio had a significant effect on Financial Distress
4. The Corporate Governance structure had no significant effect on Financial Distress
5. Financial Distress had a significant effect on stock price

REFERENCES

Almilia, L Dan E. Kristijadi. (2003). "Analisis Rasio Keuangan Untuk Memprediksi Kondisi *Financial Distress* Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Jakarta". *Jurnal Akuntansi dan Auditing Indonesia* Vol.7 No.2 Hlm 1-27.

Andre, Orina.(2013). "*Pengaruh Profitabilitas, Likuiditas, dan Leverage Dalam Memprediksi Financial Distress Pada Perusahaan Aneka Industri Yang Terdaftar di BEI*". Skripsi. Padang: Universitas Negeri Padang.

Anggraini, Selfi. (2014). "Mekanisme *Corporate Governance* Dan Kinerja Keuangan Pada Perusahaan Yang Mengalami *Financial Distress*". *Jurnal Ilmu dan Riset Akuntansi* Vol.3 No.5.

Bodroastuti, T. (2009). "Pengaruh Struktur *Corporate Governance* Terhadap *Financial Distress*".*Jurnal Ilmu Ekonomi* Vol.11 No.2.

Deviacita, Arieany Widya. (2012). "*Analisis Pengaruh Mekanisme Corporate Governance Terhadap Financial Distress*. Skripsi. Semarang: Universitas Diponegoro.

Emrinaldi. (2007). "Analisis Pengaruh Praktek Tata Kelola Perusahaan (*Corporate Governance*) Terhadap Kesulitan Keuangan Perusahaan (*Financial Distress*): Suatu Kajian Empiris". *Jurnal Bisnis dan Akuntansi* Vol.9 No.1 Hlm 88-104.

Fahmi, Irham.(2014). *Analisis Kinerja Keuangan*. Bandung: CV Alfabeta.

_________. (2012). *Analisis Laporan Keuangan Cetakan Ke-2*. Bandung: Alfabeta.

Fitdini. (2009). "*Hubungan Struktur Kepemilikan, Ukuran Dewan, Dewan Komisaris Independen, Ukuran Perusahaan, Leverage dan Likuiditas Dengan Kondisi Financial Distress Pada Perusahaan Manufaktur Tahun 2004-2007*". Skripsi. Semarang: Universitas Diponegoro.

Ghozali, Imam. (2009). *Ekonometrika Teori, Konsep dan Aplikasi dengan SPSS 16*. Semarang:

Badan Penerbit Universitas Diponegoro.

Hanifah, Oktita Earning. (2013). "*Pengaruh Struktur Corporate Governance dan Financial Indicators Terhadap Kondisi Financial Distress*". Skripsi. Semarang: Universitas Diponegoro.

Hidayat, Muhammad Arif. (2014). "*Prediksi Financial Distress Perusahaan Manufaktur di Indonesia Yang Terdaftar di BEI Tahun 2008-2012*. Skripsi. Semarang: Universitas Diponegoro.

http://www.idx.co.id/

Jensen, C. Michael Dan W.H. Meckling. (2007). *Corporate Governance and Economic Democracy: An Attack on Freedom*. Essay.Harvard Business School.

Kamaludin, Dan Indriani. (2012). *Manajemen Keuangan Edisi Revisi*. Bandung: Mandar Maju.

Kasmir. (2014). *Analisis Laporan Keuangan*. Depok: PT. Rajagrafindo Persada.

Khoiruddin, Moh Dan Andromeda Ardian.(2014). "Pengaruh Analisis Kebangkrutan Model Altman Terhadap Harga Saham Pada Perusahaan Manufaktur". *Jurnal Analisis Manajemen.*

KNKG.(2006).Pedoman Umum Good Corporate Governance Indonesia.www.governanceindonesia.com

Kusanti, Okta Dan Andayani. (2016). "Pengaruh *Good Corporate Governance* dan Rasio Keuangan Terhadap *Financial Distress*". *Jurnal Ilmu dan Riset Akuntansi* Vol.4 No.10.

Marcelina, Tri Ayu. (2014). "Prediksi Kebangkrutan Menggunakan Metode Z-Score Dan Pengaruhnya Terhadap Harga Saham Pada Perusahaan Transportasi Yang Terdaftar di BEI Tahun 2008-2012". *Jurnal Akuntansi dan Ekonomi Bisnis* Vol.1 No.3.

Mayangsari, Lillanda P. (2015). "Pengaruh *Good Corporate Governance* Dan Kinerja Keuangan Terhadap *Financial Distress*".*Jurnal Ilmu dan Riset Akuntansi*, Vol.4, No.4.

Misbahuddin, Hasan.(2013). *Analisis Data Penelitian Dengan Statistik*. Jakarta: Bumi Aksara.

Nasution, M Dan D. Setiawan. (2007). "Pengaruh Good Corporate Governance Terhadap Manajemen Laba di Industri Perbankan Indonesia". *Simposium Nasional Akuntansi*.

Nur DP, Emrinaldi. (2007). "Analisis Pengaruh Praktek Tata Kelola Perusahaan Terhadap Kesulitan Keuangan". *Jurnal Bisnis dan Akuntansi*, Vol.9 No.1 Hlm 88-102.

Parulian, S. (2007). "Hubungan Struktur Kepemilikan, Komisaris Independen dan Kondisi *Financial Distress* Perusahaan Publik". *Jurnal Akuntansi dan Keuangan* (*Integrity*) Vol.1 No.3 Hlm 263-274.

Radifan, Rusdan. (2015). "*Analisis Pengaruh Mekanisme Good Corporate Governance Terhadap Kemungkinan Financial Distress*. Skripsi. Semarang: Universitas Diponegoro.

Rahajaputra, Hendra S.(2011). *Manajemen Keuangan dan Akuntansi*. Jakarta: Salemba Empat.

Rissabil, Nia. (2014). *Metode Penelitian*. http://niarissabila.blogspot.co.id/2014/11/pengolahan-data.html. (Diakses tanggal 12 Maret 2017)

Roykhan. (2012). "Prediksi Kebangkrutan Menggunakan Z-Score dan Pengaruhnya Terhadap Harga Saham Perusahaan Manufaktur yang Terdaftar di BEI". *Jurnal Akuntansi dan Ekonomi Bisnis* Vol.1 No.2.

Rudianto.(2013). *Akuntansi Manajemen*. Jakarta: Erlangga

Sanusi, Anwar. (2016). *Metodologi Penelitian Bisnis*. Jakarta: Salemba Empat.

Sekaran, Uma.(2014). *Research Methods For Business*. Jakarta: Salemba Empat.

Septian, Rendy M. (2011). "*Pengaruh Kebangkrutan Perusahaan Metode Altman Z-Score Terhadap Harga Saham Pada PT. Mobile-8 Tbk. Tahun 2007-2009*". Skripsi. Bandung: Universitas Telkom.

Sugiyono. (2016). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabeta.

________. (2011). *Metodologi Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

Triwahyuningtias, M Dan H. Muharam. (2012). "*Analisis Pengaruh Struktur Kepemilikan, Ukuran Dewan, Komisaris Independen, Likuiditas Dan Leverage Terhadap Terjadinya Kondisi Financial Distress Pada Perusahaan Manufaktur Yang Terdaftar di BEI Tahun 2008-2010".* Skripsi. Semarang: Universitas Diponegoro.

Wardhani, Ratna. (2007). "Mekanisme Corporate Governance dalam Perusahaan yang Mengalami Permasalahan Keuangan (Financial Distress Firms)". Simposium Akuntansi 9 Padang, Hlm 1-26.

Widarjo, W Dan D. Setiawan. (2009). "Pengaruh Rasio Keuangan Terhadap Kondisi Financial Distress Perusahaan Otomotif". *Jurnal Bisnis dan Akuntansi* Vol.11 No.2 Hlm 107-119.