CHAPTER V
CONCLUSION, LIMITATION AND RECOMMENDATION

5.1 Conclusion

This research is conducted to analyze the determinants of financial distress on family-owned companies listed in Indonesia Stock Exchange. Based on the results and discussions, it can be concluded that independent commissioner, firm size, maturity, dividend payment, and liquidity negatively affect financial distress while firm performance positively affect financial distress.

Independent commissioner has significant negative effect towards financial distress. Independent commissioner keeps a good control of the board due to its ability in acting independently therefore reduce any abuse of authority by the internal management or other member of boards. Independent commissioner improves the supervision within the company and able to give better advice related to the business or industry. Addition of independent commissioner members may appease more investors due to their duty to ensure the transparency and faithfulness in company’s financial statements thus leading to higher possibility in avoiding financial distress condition.

Firm size has significant negative effect on financial distress. This indicates that larger firms have higher chances to avoid financial distress. Large firms have the ability to pay off their debts since they have more asset which can be liquidated into cash. Larger firms also have better control and lead in market condition thus they are able to face economic competition better than smaller firms.
Maturity has significant negative effect on financial distress. Older firm is proved to be less likely to fall into financial distress since older firms have more experience in the business industry and older firms tend to have better management mechanism.

Dividend payment has significant negative effect on financial distress. This indicates that bigger and profitable firms will pay more dividend yet smaller and indebted firms will pay less or omit dividend payment. Firms tend to make adjustment to dividend to decrease any bankruptcy risk.

Liquidity shows significant negative effect on financial distress. Result shows that higher liquidity will increase the chances to avoid financial distress. Higher liquidity indicates higher value of current assets owned by the company which can be liquidated quickly to pay off its short-term obligations or used as backing funds when needed. If the company is able to finance and pay off its short-term liabilities well then, the company’s potential to experience financial distress will be smaller.

Firm performance has significant positive effect on financial distress. Firm performance is measured by return of asset ratio with the formula net income on total asset. Higher value of return on asset may indicate low asset value owned by the company and companies are able to generate profit by debts.
5.2 **Limitation**

This research has some limitation which is as follows:

1. This research is limited to family-owned companies listed in Indonesia Stock Exchange (IDX) and data of research is limited to 5 years only.
2. Many companies listed in Indonesia Stock Exchange (IDX) didn’t publish their annual financial statements fully and completely for five years consecutively from year 2013-2017. This causes reduction of sample data amount.

5.3 **Recommendation**

The recommendation that can be given by the author as a consideration for further research is as follow:

1. Expand the research samples by adding different sector of companies beside family-owned companies, expand research time horizon to more than five years and compare financial distress between family business and non-family business.

2. Adding other independent variables that are not contained in this research model which may also affect financial distress such as board’s gender diversity (Kristanti, Rahayu, et al., 2016), growth (Thim et al., 2011), leverage (Waqas & Rus, 2018) and etc.