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The Effect of Financial Ratios, Corporate Governance and company Size on Financial Distress in Real Estate Companies Listed on the indonesia Stock Exchange in 2017-2021

Sabaruddin[1], Ikbal Maulana[2]
Management Study Program, University of TechnologyYogyakarta,

Abstract: This study aims to determine the effect of financial ratios (current ratio), leverage ratio (debt to equity ratio), profitabilityratio (return on assets), activity ratio (total assets turn over), growth ratio (sales growth), corporate governance (managerial ownership, institutional ownership, board of directors, board of commissioners, audit committee) and company size against financial distress in real estate companies listed on the Indonesia Stock Exchange. The population of this study is real estate companies listed on the Indonesia Stock Exchange from 2017 to 2021. The method used in sampling is using purposive sampling with certain criteria and using secondary data which results in 31 companies being used as samples. The analysis technique used is logistic regression analysis using IBM SPSS version 23. The dependent variable in this study is financial distress proxied with a modified Altman Z-Score. The results showed that the liquidity ratio (current ratio) and profitability ratio (return on assets) had a significant effect on financial distress. While the leverage ratio (debt to equity ratio), activity ratio (total assets turn over), growth ratio (sales growth), managerial ownership, institutional ownership, board of directors, board of commissioners, audit committee, and company size have no influence on financial stress.

Keywords: Financial Ratio, Corporate Governance, Company Size, Financial Distress

I. INTRODUCTION

Global economic growth is currently uncertain, creating major challenges for companies and policymakers. According to Sri Mulyani (2022) from the International Monetary Fund (IMF) projects, the global economic situation will slow down. Global growth will decline from 6% in 2021 to just 3.2% in 2022 and 2.7% in 2023. One of the factors that triggered this condition is the war in Ukraine, which poses an increased risk in the matters of food, energy, and fertilizer crises. In addition, current global conditions are overshadowed by uncertainty due to The Perfect Storm arising from the COVID-19 pandemic crisis that occurred in 2019. Amid the current global economic shock, several countries in Asia, including Indonesia, experienced an increasing growth trend in the first quarter to the third quarter of 2022 (www.kemenkeu.go.id).

A company is generally established with the same goal, which is to make a profit. "Profit is a measure of overall company achievement" Indonesian Institute of Accountants (2007: 13) in Helena (2018). A company that implements good governance and management will be claimed to avoid financial problems and bankruptcy, commonly called financial distress (Nilasari, 2021). Financial distress is a condition where the company had financial difficulties before bankruptcy. According to Parulian (2007) in Hildaningtyas and Gunarsih (2020), one indication that a company is experiencing financial distress is the unfulfilled financial obligations.

The company must know their financial distress condition to remain aware in taking all actions to avoid falling into the bankruptcy category. Therefore, the company must predict and analyze the symptoms of bankruptcy to anticipate bankruptcy in the future. One of the ways is a company engaged in the real estate sector. The real estate sector is a large sector that can absorb many workers and has a chain effect on other sectors of the economy. The real estate sector is the most vulnerable in the macro industry to fluctuations in interest rates, inflation, and exchange rates, ultimately affecting people's purchasing power.

Research on factors that can affect financial distress has been widely conducted, but there are still inconsistencies or differences between the results. According to Tasman and Kurniawati (2014), to overcome financial difficulties or bankruptcy, several tools and techniques are used to monitor the company's financial condition by analyzing the company's

financial ratios. Besides financial ratios, other tools and techniques are well-organized corporate governance. According to Nurhayati et al. (2019), one form of good and healthy management is the implementation of good corporate governance. In addition to financial ratios and corporate governance, other tools and techniques are company size. According to Hery (2017) in Tandanu and Suryadi (2020), the size (scale) of the company is an important variable that can explain the selection of accounting methods. The size of the company can be used as one of the work environments that will affect management perception.

Previous research on liquidity ratios that are proxied using the current ratio was conducted by Widhiari and Merkusiwati (2015), stating that the results negatively affect financial distress prediction in companies. The research was supported by previous research conducted by Sari and Putri (2016) and Antikasari and Djuminah (2017). Meanwhile, previous research conducted by Nora (2016), Nilasari (2021), and Rahayu and Sopian (2017) showed that results had a positive effect on the prediction of financial distress in companies. The leverage ratio in previous research was proxied using the debt-to-equity ratio (DER) conducted by Agustini and Wirawati (2019), which revealed that the leverage ratio positively affects financial distress in companies. This is in line with research conducted by Nilasari (2021), Amanda dan Tasman (2019), and Mahaningrum and Merkusiwati (2020), stating that the leverage ratio has a positive effect on financial distress. This contrasts with previous research conducted by Christine et al. (2019) and Syuhada et al. (2020), that the leverage ratio negatively affects financial distress in companies.

Previous research on profitability ratios was conducted by Antikasari and Djuminah (2017), which revealed that profitability ratios positively affect financial distress in companies. This is in line with research conducted by Nilasari (2021) and Christine et al. (2019), which shows the results of a positive effect on financial distress in the company. In contrast, previous research conducted by Azwar (2015) and Dewi et al. (2019) stated that profitability ratios negatively affect companies' financial distress. Research related to activity ratios is carried out by Simanjuntak et al. (2017), stating that activity ratios negatively affect financial distress in companies. This is in line with research conducted by Widhiari and Merkusiwati (2015) and Antikasari and Djuminah (2017), showing that the activity ratio negatively affects financial distress in companies. Meanwhile, the results differ from the research conducted by Sari (2016) and Syuhada et al. (2020), which show that the activity ratio positively affects financial distress in companies. Research related to growth ratios is carried out by Mahaningrum and Merkusiwati (2020), saying that growth ratios positively affect financial distress in companies. This is in line with research conducted by Rahmy (2015) and Muflihah (2017), which revealed that the growth ratio positively affects financial distress in companies. In comparison, research conducted by Widhiari and Merkusiwati (2015) and Amanda dan Tasman (2019) shows that the growth ratio negatively affects financial distress in companies.

Previous research on corporate governance was conducted by Yuliani and Rahmatiasari (2021) on managerial ownership, which stated that managerial ownership positively affects financial distress in companies. This is in line with research conducted by Damayanti and Kusumaningtias (2020) and Rachmawati and Retnani (2020), which states that managerial ownership positively affects financial distress in companies. At the same time, research conducted by Nilasari (2021) and Manan and Hasnawati (2022) shows that managerial ownership negatively affects financial distress in companies. Other research conducted by Munawar et al. (2018) on institutional ownership shows positive results on financial distress in companies. The research is supported by Hildaningtyas and Gunarsih (2020) and Yuliani and Rahmatiasari (2021), which show that institutional ownership positively affects financial distress in companies. This is in contrast to research conducted by Helena (2018), Masitoh and Utami (2019), and Manan and Hasnawati (2022), which states that institutional ownership negatively affects financial distress in companies. Other research related to corporate governance conducted by Nasiroh and Priyadi (2018) revealed that the board of directors, board of commissioners and the size of the audit committee positively influence financial distress in the company. In other research conducted by Masitoh and Utami (2019), the company states that the board of directors, the board of commissioners and the size of the audit committee negatively influence financial distress in the company.

In addition to financial ratios and corporate governance, other tools and techniques are company size. The size of the company is proxied by how significant the total assets owned by a company are. Research conducted by Rahayu and Sopian (2017) states that the size of the company has a positive effect on financial distress. This is in line with research conducted by Nilasari (2021), which shows that the size of the company has a positive effect on financial distress for the company. Conversely, research conducted by Putri and Merkusiwati (2014) and Syuhada et al. (2020) show that company size negatively affects financial distress in companies.

Based on the phenomena described above, the researcher is more interested in researching financial distress in a company because it is not certain that large companies will not experience financial distress. This research was conducted to determine the effect of financial ratios (liquidity ratio, leverage ratio, profitability ratio, activity ratio, and growth ratio), corporate governance (managerial ownership, institutional ownership, board of directors, board of commissioners and audit committee size), and company size on financial distress in real estate companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. This research uses the real estate sector as the object of research for this sector, which has characteristics that are difficult to predict and high risks. In addition, if economic growth increases, it will experience ups and downs, will cause a boom and will tend to do much supply. Conversely, if economic growth declines, this sector will experience a very drastic decline.

II. LITERATURE REVIEW

Financial Distress

According to Platt and Platt (2006) inMasitoh and Utami (2019), Financial distress is a condition where the company is in the stage of decline and pressure of financial conditions that will be experienced by the company before bankruptcy. According to Whitaker (1999) inAmanda and Tasman (2019), a company that is experiencing financial distress can be categorized as a company that has negative profits because the company is under bad economic pressure and the performance of management is not good which causes the company's performance to decline. Many companies that have been operating for a long time are forced to be in financial difficulties because they still experience financial problems in each period.

Altman Z-Score

According toLomanandMalelak (2015)Altman (1968) was the first person to apply Multiple Discriminant Analysis. Altman used the new model in his research to predict the bankruptcy of a company. The new model is called Z-score which in its original form is a linear model using weighted financial ratios to maximize the model in predicting bankruptcy. The development of the Altman model can be seen from the first, namely the Altman Z-score model which aims to predict the bankruptcy of manufacturing sector companies. After that, Altman revised this Z-score model to be used for companies in the private and public manufacturing sectors called the revised Altman model which is equally used to predict the probability of awesomeness in a company. Further modifications made by Altman so that it can be applied to all companies such as manufacturing, non-manufacturing and oligation publishing companies called Altman model modifications.

Financial Statements

According to Brigham and Houston (2013), a financial statement or annual report is a report issued by the company to shareholders. These financial statements contain basic financial statements and management analysis of current and future year operations. According to the Indonesian Accounting Association (IAI) in PSAK No. 1 (2020) states that the purpose of financial statements is to provide information about financial position, financial performance and cash flow that can be useful for all groups who use this report in making decisions.

Financial Statement Analysis

According to Kasmir (2008), financial statements can be better understood by all parties, so it is necessary to analyze financial statements. Financial statement analysis is an analysis that is useful to help a company anticipate future circumstances and can help as a start in planning actions that can improve performance in the future. According to Indra (2010) inAzwar (2014), the general purpose of financial statements is to provide information about a company's financial position, company performance and company cash flow that is useful for making and evaluating decisions.

Corporate Governance

According to the Organization of Economic Cooperation and Development (OECD) in Munawar et al., (2018)corporate governance is a set of relationships between company management, board, shareholders, and other parties who have relationships and interests with the company. Meanwhile, according to Monks and Minow (2001) in Helena (2018)Corporate governance is the governance of a company that explains the relationship between various participants in the company that determines the direction and performance of the company. Corporate governance can also indicate the existence of a structure of tools in achieving goals and supervision of performance.

Agency Theory

According to Bodroastuti (2009) in Hanifah and Purwanto (2013) states that, agency theory (agency theory) is a theory that explains the separation of interests between company owners and company managers. Agency problems can arise when the agent is unlikely to be able to act in the interests of the principal, causing financial difficulties.

Signaling Theory

According toMahaningrum and Merkusiwati (2020)Signaling theory was coined by Spence (1937). Signaling theory is a form of signal for success or failure in a company. This theory deals with information asymmetry in which one party has more complete information than the other party. This signal theory can illustrate that managers give signals in the form of information on financial statements in the company.

Company Size

The size of the company is a measure that can determine investors' perception of the company. If the size of the company is large, it can provide a good assumption that the company is known by the wider community so that it is easier

to increase the value of the company. A company that has a large size has greater and wider access to external funding sources to obtain easy loans.

Research Hypothesis

The effect of liquidity ratio on financial distress.

The liquidity ratio is a ratio that measures a company's short-term liquidity capability by looking at the company's current assets relative to its current debt(Hanafi and Halim, 2016). Based on signaling theory, it is explained that the higher the liquidity ratio, the possibility that the company will not experience financial distress. Meanwhile, if the lower the liquidity ratio, the company will experience financial distress. Research conducted byNilasari (2021), states that liquidity ratios negatively affect the prediction of financial distress in companies. The results of this study are supported by previous research conducted by Widhiari and Merkusiwati (2015), Sari and Putri (2016), and Antikasari and Djuminah (2017) as well as.
H_1 : Liquidity ratio negatively affects financial distress in the company.

The effect of leverageratioon financial distress

The leverage ratio is a ratio that measures how much a company is able to meet its long-term obligations(Hanafi and Halim, 2016). The greater the leverage ratio, it will cause the company to experience difficulties in paying the principal and interest costs caused by the assets owned by the company cannot guarantee its debts. Research conducted by revealed that Agustini and Wirawati (2019)the leverage ratio has a positive effect on financial distress. These results are in line with research conducted byNilasari (2021),Amanda and Tasman (2019), andMahaningrum and Merkusiwati (2020).
H_2 : leverage ratio has a positive effect on financial distress in the company.

The effect of profitability ratio on financial distress

The profitability ratio is a ratio that measures the company's ability to generate profits. This ratio can reveal the efficiency and effectiveness of management in operating a business(Hanafi and Halim, 2016). Based on signaling theory, it is explained that the higher the value of the profitability ratio, the company does not experience financial distress. Meanwhile, companiesthat experience financial distress have a low profitability ratio. Research conducted by yang revealed that profitability ratios have Azwar (2015)a negativeeffect on financial distress in companies. This is in line with research conducted byWidhiari and Merkusiwati (2015) and Dewi et al., (2019).
H_3 : The profitability ratio negatively affects financial distress in the company.

The effect of activity ratio on financial distress

The activity ratio is a ratio that measures the extent ofthe effect on the activity of asset use by looking at the level of activity of the asset(Hanafi and Halim, 2016). Based on signaling theory, it is explained that the greater the ratio of these activities, the company will not experience financial distress. Conversely, if this ratio is low, then the company will experience financial distress. Research conducted by which states that the ratio of activity negatively affects Syuhada et al., (2020)financial distress in companies. This is in line with research conducted by Widhiari and Merkusiwati (2015), Simanjuntak et al., (2017) and Antikasari and Djuminah (2017).
H_4 : The ratio of activity negatively affects financial distress in the company.

The effect of growth ratio on financial distress

Growth ratio is a ratio that measures the ability of a company to increase growth from year to year.High sales growth causes the company's profit to be higher, which means that the financial condition in the company is stable and can minimize the possibility of financial distress in the company. Research conducted by shows that Widhiari and Merkusiwati (2015)sales growth negatively affects financial distress in companies. This is in line with the results of research conducted byRahayu and Sopian (2017) and Amanda and Tasman (2019).
H_5: Growth ratio negatively affects financial distress in the company.

The effect of managerial ownership on financial distress

Managerial ownership can be one factor that can minimize agency costs caused by agency conflicts with management as managers who act as company owners that can trigger company executives in carrying out their duties (Mayangsari and Andayani, 2015). High managerial ownership can reduce agency problems caused by share ownership carried out by management. The existence of company management shares is expected to foster a great sense of ownership of the company and can reduce the risk of experiencing financial distress in the company. Research conducted by Kusanti and Andayani

(2015) states that managerial ownership negatively affects financial distress in companies. This is in line with research conducted by Nilasari (2021) and Manan and Hasnawati (2022).

H_6 :Managerialownership negatively affects financial distress in the company.

The effect of institutional ownership on financial distress

Institutional ownership is an ownership in a financial institution which, if higher, can cause greater institutional motivation in conducting employeesto the management of a company that can minimize the company experiencing financial distress. This institutional ownership can prevent conflicts between owners and management. The greater the institutional ownership, the more efficient the use of company assets that can prevent the company from experiencing financial distress. Research conducted by Helena (2018) states that institutional ownership negatively affects financial distress in companies. This is in line with research conducted by Masitoh and Utami (2019)and Manan and Hasnawati (2022).

H_7 : Institutional ownership negatively affects financial distress in the company.

The effect of the board of directors on financial distress

The board of directors will determine the policies to be taken for the company in the long and short term. The right board of directors can be run optimally by the company which can reduce agency problems due to improper board ofdirectors size. According to agency theory, there is a negative impact on the size of a company's board of directors on financial distress. This is supported by research conducted byMasitoh and Utami (2019) and Manan and Hasnawati (2022).

H_8 : The board of directors negatively affects financial distress in the company.

The effect of the board of commissioners on financial distress

According to Triwahyuningtias (2012) inManan and Hasnawati (2022), the board ofcommissioners functions as a supervisor of the company and oversees the actions to be taken by the board of directors which can be one of the factors that can minimize the company's agency costs. This role is more emphasized on the monitoring function of policy implementation. The more the board of commissioners, it can reduce the company to experience financial distress. This is in line with research conducted byMasitoh and Utami (2019).

H_9 : The Board of Commissioners negatively affects financial distress in the company.

The effect of the audit committee on financial distress

According to Nur (2016) inDamayanti and Kusumaningtias (2020), the Indonesian Institute of Audit Committee (IKAI) defines an audit committee as an independent committee created and formed by the board of commissioners that can function as a strengthening of the functions of the board of commissioners of a company. If the effectiveness of the audit committee increases, the size of the audit committee increases. The greater number of audit committees can reduce the company's financial distress. This is in line with research conducted by Munawar et al., (2018)and Masitoh and Utami (2019) as well as.

H_{10} : The audit committee negatively affects financial distress in the company.

The effect of company size on financial distress

A company that has a large size has greater and wider access to external funding sources to obtain easy loans. The size of the company is proxied by Ln (Total Assets). If acompany has large total assets, it can have an impact on increasing the company's ability to pay off company obligations in the future so that it can avoid financial distress. This is in line with research conducted by Putri and Merkusiwati (2014) and Syuhada et al., (2020).

H_{11} : The size of the company negatively affects financial distress in the company.

III. RESEARCH METHODS

Variable

The variables in this study consist of two variables, namely, the independent variable and the dependent variable. The independent variables in this study are financial ratios consisting of liquidity ratio (CR), leverage ratio (DER), profit ratio (ROA), activity ratio (TATO) and growth ratio (SG), as well as corporate governance consisting of managerial ownership (KM), institutional ownership (KI), board of directors (DD), board of commissioners (DK), audit committee (KA) and also company size (UP). While the dependent variable in this study is financial distress.

Population and Sample

The population in this study is Real Estate companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used in this study is purposive sampling, which is a sampling technique with certain considerations or criteria (Sugiyono,

2019). The criteria used to select samples in the study are real estate companies listed on the Indonesia Stock Exchange in 2023, Real estate companiesthose that were not listed on the Indonesia Stock Exchange (IDX) until 2016 and real estate companies that did not publish financial statements and annual reports that provided the overall data needed on research variables during the period 2017-2021. Based on these criteria, a sample of 31 real estate companies was selected.

Data Types and Sources
This research uses a type of quantitative research. The data used in this study are secondary data. This secondary data is obtained from the financial statements of real estatecompanies that have been published and listed on the Indonesia Stock Exchange (IDX) in 2017-2021. This data is obtained from the official website of IDX (www.idx.co.id).

IV. RESULTS AND DISCUSSION

Descriptive statistical analysis as in table 1 shows the minimum value, maximum value, mean value, and standard deviation value of real estate companies listed on the IDX in 2017-2021.

	N	Minimum	Maximum	Mean	Std. Deviation
CR	155	0,1468	11,4211	2,835688	2,1844072
DER	155	-21,0575	3,6878	0,674281	2,0862699
ROA	155	-0,3752	0,2774	0,015828	0,0648645
TATO	155	0,0246	0,3873	0,157715	0,0808679
SG	155	-0,9123	6,6380	0,083407	0,6866743
KM	155	0,0000	0,7694	0,095488	0,2034871
KI	155	0,0000	0,9662	0,572547	0,2408329
DD	155	2,0000	12,0000	4,961290	1,9436339
DK	155	2,0000	11,0000	4,122581	1,6089663
KA	155	0,2727	1,5000	0,830431	0,3063037
UP	155	24,9707	31,7496	29,495545	1,4928642
Valid N (listwise)	155				

The feasibility assessment of the regression model in this study is as follows:

Step	Chi-square	df	Sig.
1	8,021	8	0,431

The feasibility of the regression model in this study was tested using Hosmer and Lemshow's test. Based on the results of Hosmer and Lemshow's test that has been conducted in table 2, this test shows that the Chi Square value is 8.021 with a significance value of 0.431, then H0 is accepted. Then it can be concluded that the model has explained enough data and this regression model can be done for subsequent analysis.

The accuracy of predictions in this study is as follows:

	Observed		Predicted		
			Z-Score		
			NonFinancial Distress	Financial Distress	Percentage Correct
Step 1	Z-Score	Non Financial Distress	144	0	100,0
		Financial Distress	3	8	72,7
	Overall Percentage				98,1

Based on table 3, it can be concluded that from the 155 data studied, there are 144 companies that do not experience financial distress and there is no data that should experience financial distress to not experience financial distress. Then the correctness of the classification is 100%. Data that does not experience financial distress or has a Z-score above 1.1. While 11 other data have the potential to experience financial distress because they have a Z-score below 1.1, but only 8 data really experience financial distress and 3 others are not affected by financial distress. Then the correctness of the classification amounted to 72.7%. It can be concluded from table 4.7, namely the overall percentage of accuracy in this study is 98.1%.

The results of Regression Analysis in this study are as follows:

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	CR	-6,481	2,697	5,774	1	0,016	0,002
	DER	-0,135	0,224	0,366	1	0,545	0,874
	ROA	-41,699	18,678	4,984	1	0,026	0,000
	TATO	42,764	24,426	3,065	1	0,080	3733649339602883100,00
	SG	-0,650	0,706	0,849	1	0,357	0,522
	KM	4,930	4,139	1,418	1	0,234	138,334
	KI	-7,634	4,820	2,508	1	0,113	0,000
	DD	-0,530	0,814	0,423	1	0,516	0,589
	DK	-0,212	2,519	0,007	1	0,933	0,809
	KA	1,350	12,760	0,011	1	0,916	3,858
	UP	0,750	1,232	0,371	1	0,543	2,117
	Constant	-19,416	49,299	0,155	1	0,694	0,000

The Effect of Liquidity Ratio on Financial Distress

Testing the first hypothesis (H_1) shows that liquidity has a negative coefficient of -6.481 with a significance value of 0.016 or below 0.05 which means that this first hypothesis is accepted which has a negative influence on financial distress. This liquidity ratio is proxied using the Current Ratio. This suggests that this first hypothesis is accepted. A company that has a high liquidity ratio will not experience financial distress. Conversely, if the company has a low ratio, the company will experience financial distress. This research is in line with research conducted by and which states that liquidity ratios have a negative effect. While the research conducted by Widhiari and Merkusiwati (2015),Sari and Putri (2016), Antikasari and Djuminah (2017), and Rahayu and Sopian (2017) states different results that show that the liquidity ratio has a positive effect on financial distress in Real Estate Development.

The Effect of Leverage Ratio on Financial Distress

Testing the second hypothesis (H_2) shows that the leverage ratio has a negative coefficient of -0.135 with a significance value of 0.545 or above 0.05 which means that this second hypothesis is accepted which has a positive influence on financial distress. The leverage ratio in this study is proxied using the debttoequity ratio. A company that has a high level of debt can cause the company's obligation to pay off loans and interest. This research is in line with research conducted by Agustini and Wirawati (2019), Nilasari (2021),Amanda and Tasman (2019), and Mahaningrum and Merkusiwati (2020) which revealed that the leverage ratio has a positive effect on financial distress. While research conducted by Christine et al., (2019) and Syuhada et al., (2020)stated different results that show that liquidity ratios negatively affect financial distress in Real Estate Companies.

The Effect of Profitability Ratio on Financial Distress

Testing the third hypothesis (H_3) shows that the profitability ratio has a negative coefficient of -41.699 with a significance value of 0.026 or below 0.05, which means that this third hypothesis is accepted, which has a negative influence on financial distress. The profitability ratio in this study is proxied using return on assets. A company that has a high amount of assets can cause large capital costs that can suppress profits. The higher the profitability ratio, the company will not experience financial distress. Conversely, if the company has a low profitability ratio, the company will experience financial distress. This research is in line with research conducted byAzwar (2015) andDewi et al., (2019) states that profitability ratios have a negative effect on financial distress in companies. While research conducted byAntikasari and Djuminah (2017), Nilasari (2021) and Christine et al., (2019) which shows the results of a positive effect on financial distress in Real Estate development.

The Effect of Activity Ratio on Financial Distress

Testing the fourth hypothesis (H_4) shows that the activity ratio has a positive coefficient of 42.764 with a significance value of 0.080 or above 0.05 which means that this fourth hypothesis is rejected because there is no effect on financial distress. The activity ratio in this study is proxied using total assets turnover. A company that has total assets turnover, then the company manages assets well. The greater this ratio, the company will not experience financial distress. Conversely, if

the company has a low ratio, the company will experience financial distress. This research is in line with research conducted bySari (2016) andSyuhada et al., (2020) shows that the ratio of activity has a positive effect on financial distress in companies. Meanwhile, the results differ from the research conducted by Simanjuntak et al., (2017), Widhiari and Merkusiwati (2015)and Antikasari and Djuminah (2017)as well as those showing that the activity ratio negatively affects financial distress in Real Estate companies.

The Effect of Growth Ratio on Financial Distress

Testing the fifth hypothesis (H_5) shows that the growth ratio has a negative coefficient of 0.650 with a significance value of 0.357 or above 0.05 which means that this fifth hypothesis is rejected because there is no effect on financial distress. The growth ratio in this study is proxied using sales growth. A company that has high sales growth, then the company successfully carries out its corporate activities that may not experience financial distress. This research is in line with research conducted by Mahaningrum and Merkusiwati (2020), Rahmy (2015) and Muflihah (2017)which revealed that the growth ratio has a positive effect on financial distress in companies. While research conducted by Widhiari and Merkusiwati (2015) and Amanda and Tasman (2019) shows that the growth ratio negatively affects financial distress in Real Estate companies.

The Effect of Managerial Ownership on Financial Distress

Testing the sixth hypothesis (H_6) shows that managerial ownership has a positive coefficient of 4.930 with a significance value of 0.234 or above 0.05 which means that this sixth hypothesis is rejected because there is no effect on financial distress. Managerial ownership in this study is calculated by dividing between the total shares owned by management and the number of company shares. The size of managerial ownership in a company cannot affect the company experiencing financial distress. This research is in line with research conducted byYuliani and Rahmatiasari (2021), Damayanti and Kusumaningtias (2020)and Rachmawati and Retnani (2020)as well as stating that managerial ownership has a positive effect on financial distress in companies. While research conducted by Nilasari (2021)and Manan and Hasnawati (2022)which shows that managerial ownership negatively affects financial distress in Real Estate companies.

The Effect of Institutional Ownership on Financial Distress

Testing the seventh hypothesis (H_7) shows that institutional ownership has a negativecoefficient of 7.634 with a significance value of 0.113 orabove 0.05 which means that this seventh hypothesis is rejected because there is no effect on financial distress.This institutional ownership shows that shareholding owned by institutions owned by majority and centralized owners can result in reduced transparency in the use of funds. This research is in line with research conducted byHildaningtyas and Gunarsih (2020) andYuliani and Rahmatiasari (2021) showing that institutional ownership has an effecton financial distress in real estate companies. In contrast to theresearch conducted by Helena (2018),Masitoh and Utami (2019) andManan and Hasnawati (2022) which states that institutional ownership negatively affects financial distress in companies.

The Effect of the Board of Directors on Financial Distress

Testing the eighth hypothesis (H_8) shows that the board of directors has a negative coefficient of -0.530 with a significance value of 0.516 or above 0.05 which means that this eighth hypothesis is rejected because there is no effect on financial distress. A company that has a large number of boards of directors will not necessarily experience the possibility of financial distress. The large number of board of directors will affect the company's financial condition because every decision carried out by the company comes from the decision of the board of directors. This is in line with research conducted byNasiroh and Priyadi (2018) which states that the board of directors has a positive effect on financial distress. while research conducted by danMasitoh and Utami (2019) and Manan and Hasnawati (2022) revealed that the board of directors negatively affects financial distress in Real Estate companies.

The Effect of the Board of Commissioners on Financial Distress

Testing the ninth hypothesis (H_9) shows that the board of commissioners has a negative coefficient of 0.212 with a significance value of 0.933 or above 0.05 which means that this ninth hypothesis is rejected because there is no effect on financial distress. The board of commissioners is only used to fulfill the requirements for company establishment. In Indonesia, the formation of the company's board of commissioners is very limited only to the requirements for the establishment of a go-public company and in practice the board of commissioners is not able to work optimally. This is what causes the variables of the board of commissioners have no effect on financial distress. The results of this study are in line with research conducted byNasiroh and Priyadi (2018) which states that the Board of Commissioners has a positive effect on financial distress. whileresearch conducted by Masitoh and Utami (2019) and Manan and Hasnawati (2022) revealed that the board of commissioners negatively affects financial distress in Real Estate companies.

The Effect of Audit Committee Size on Financial Distress

Testing the tenth hypothesis (H_{10}) shows that the audit committee has a positivecoefficient of 1.350 with a significance value of 0.916 or above 0.05 which means that this tenth hypothesis is rejected because there is no effect on financial distress. According to agency theory, the audit committee is one of the observer roles in a company for the governance of a company which is useful for reducing company agency conflicts. If the effectiveness of the audit committee increases, the size of the audit committee increases. The greater number of audit committees can reduce the company's financial distress. The results of this study are in line with research conducted byNasiroh and Priyadi (2018) which states that the audit committee has a positive effect on financial distress. while research conducted byMunawar et al., (2018) and Masitoh and Utami (2019) revealed the audit committee negatively affects financial distress in Real Estate companies.

The Effect of Company Size on Financial Distress

Testing the eleventh hypothesis (H_{11}) shows that the size of the company has a positive coefficient of 0.750 with a significance value of 0.543 or above 0.05 which means that this eleventh hypothesis is rejected because there is no effect on financial distress. If a company has large total assets, the company will have a positive impact because interested parties (investors and creditors) will be happy if they invest in companies that have large assets. This research is in line with research conducted byRahayu and Sopian (2017)andNilasari (2021) which states that the size of the company has a positive effect on financial distress in the company. In contrast to research conducted byPutri and Merkusiwati (2014)and Syuhada et al., (2020)which shows that company size negatively affects financial distress in Real Estate companies.

V. CONCLUSION

Based on the results of simultaneous testing, it was concluded that the model formed to predict financial distress had a significant effect. This means that financial ratio variables consisting of liquidity ratios, leverage ratios, profitability ratios, activity ratios and growth ratios, and corporate governance consisting of managerial ownership, institutional ownership, board of directors, board of commissioners, audit committee and also company size have a significant effect together (simultaneously) on financial distress. The results of logistic regression testing concluded that liquidity ratios and profitability ratios have a negative and significant influence on financial distress. While the leverage ratio, activity ratio, growth ratio, managerial ownership, institutional ownership, board of directors, board of commissioners, audit committee, and company size have no effect on financial distress.

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