



The Effect of Liquidity, Leverage, and Profitability on Financial Distress with Audit Committee as a Moderating Variable

Okik Hastiarto¹, Haryono Umar², Agustina Indriani³

^{1,2}Perbanas Institutue

³Darma Persada University

ABSTRACT: This study examines the effect of liquidity, leverage, and profitability on financial distress with the audit committee as a moderating variable. This study used secondary data from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2019. The research sample was selected using purposive sampling, and 33 companies were obtained as the study samples. The data were then analyzed using the logistic linear regression method with SPSS ver 26 software. The study results found that liquidity and profitability had a negative effect on financial distress, whereas leverage had a positive effect on financial distress. In addition, the study also found that the audit committee enhanced the effect of liquidity and profitability on financial distress. In contrast, the audit committee reduced the effect of leverage on financial distress.

KEYWORDS: Audit Committee, Financial Distress, Liquidity, Leverage, Profitability

1. INTRODUCTION

Currently, business competition to advance innovation in the information technology era is becoming more intense. In such a competitive environment, companies are required to strengthen management fundamentals further to be able to compete with other companies. However, when a company is not so, it will impact business sustainability in the future and have the potential for bankruptcy. Companies that have filed for bankruptcy previously always started with a decline in their performance. It is due to a problem related to the company's financial condition known as financial distress.

Martharini dan Mahfud (2012) attest that financial distress is a stage of financial decline a company experiences, and it occurs before it goes into bankruptcy or liquidation. Therefore, financial distress can be a sign/signal leading to bankruptcy that a company might experience. Management must be cautious if a company is in financial distress since it could encounter a bankruptcy state (Firmansyah et al, 2020). Thus, the company management must take immediate measures to overcome these financial problems and precautionary actions to prevent bankruptcy.

The financial crisis hit Indonesia at the end of 1997, as marked by the fall of the New Order regime in 1998. Previously, in 1965 after the Gestapu (Thirtieth of September Movement), the Indonesian government applied a 'Sanering the Rupiah' policy. Later, the financial crisis also occurred during President Soesilo Bambang Yudhoyono's administration in 2005 due to reducing subsidies policy for local oil prices. These far-reaching economic implications resulted in several companies experiencing increased production costs and ultimately lowering company profitability (Farah, 2018).

In addition, the domestic economic circumstance also had several impacts due to the financial crisis, one of which was that several companies were de-listed from the Indonesia Stock Exchange (IDX). Those companies were in a financial crisis experiencing financial difficulties (Pawitri and Alteza, 2020). During 2014 – 2019, the number of companies de-listed from the IDX accounted for 30 entities, eight of which were manufacturing companies. This phenomenon stemmed from several factors, including a decline in company performance marked by insufficient capital, debt, and interest expenses (Maulidi and Asyik, 2020). Based on several previous studies' inconsistencies, it infers that each company's financial aspect in producing performance varies. Therefore, this study aims to review to obtain consistent results and develop from several previous studies, including the research of Pawitri and Alteza (2020); Liang et al. (2020), and Stephanie et al. (2020). The authors assume that their studies still exhibit the following shortcomings: (1) Pawitri and Alteza research (2020); Liang et al. (2020), and Stephanie et al. (2020) did not mention and explain the relationship between underpinning theory (grand theory) and the variables used in the three studies. (2) Research conducted by Pawitri and Alteza (2020) and Stephanie et al. (2020) did not state the originality of the arguments and interpretations of their study results, especially in presenting discussions and explaining some research results not affecting financial distress. These two studies



only support the results of some previous empirical evidence that did not explain the causal effect relationship. (3) In Liang et al. (2020) study, they used machine learning methods through a model prediction approach and provided empirical evidence of two primary indicators (FRs and CGIs). However, the prediction results did not reveal the best indicators (FRs or CGIs); rather, an explanation of the combination of the two indicators. In the authors' best knowledge, it is inconsistent with the purpose in the preliminary explanation of the study.

2. LITERATURE STUDY

2.1 Signaling theory

Signaling theory suggests that a company provides signals to users of financial statements. The theory is derived from pragmatic accounting theory, which emphasizes the influence of information on changes in information user behavior (Aprida and Suardikha, 2016). According to Morris (1987), signal theory shows how information asymmetry in the market can be minimized by signaling more information to other parties. Information asymmetry in the capital market occurs because a company (management) has more information than outsiders (investors). Brigham and Houston (2018) assert that a signal is an action performed by a company's management that provides instructions for investors about how management in its capacity views and takes action when it sees prospects for the company. Companies with profitable prospects will strive to avoid selling shares, even attempting to defend them and seek new capital in other ways such as using debt (Nurmayasari et al, 2021).

The management is required to be transparent in presenting the company's financial statements. Financial statements are prepared based on the activities of the company at a certain time. From financial statements, one is able to recognize whether the company is in a healthy condition or experiencing financial distress (Baskoro et al, 2021). A company in healthy condition is indicated with the profit gain in a relatively long period of time. In addition, it can also be observed from the value of the company's cash flow. High cash flow over a long period indicates the company is able to pay debts to creditors (Agustini and Wirawati, 2019).

2.2 Financial distress

Financial distress is a condition in which a company is encountering financial difficulties (Rainingtyas et al, 2021). According to Nabawi and Efendi (2020), financial distress occurs because a company cannot manage and maintain its financial performance stability, which stems from the failure to promote the products it manufactures. Thus, such a situation causes a decrease in sales and income from at least sales. It leads the company to experience operating losses and net losses for the current year. Furthermore, the losses will result in a capital deficiency due to a decrease in the value of retained earnings used to make dividend payments. Thus, such a situation leads to a deficiency in total equity. If the condition persists, the corporate's total liabilities may exceed the total assets it owns. As such, a company is associated with the experience of financial distress, which eventually, if it is unable to overcome the above conditions, it will lead to bankruptcy (Nabawi and Efendi, 2020).

2.3 Liquidity

Liquidity is an indicator of a company's ability to meet obligations as soon as it falls due. The company with high liquidity indicates its high ability to meet maturing obligations. The liquidity ratio acts to determine the extent to which the company is able to pay its short-term obligations that are due soon (Kadim et al., 2020). In this study, a company's liquidity is assumed to be a predictor of the condition of a corporate financial distress and is measured by the current ratio (CR).

2.4 Leverage

Based on some of the previous empirical evidence results, such as the research conducted by Pawitri and Alteza (2020), it revealed that leverage positively affected financial distress. However, these aforementioned results are not in line with those of Yuliani and Sulpadli (2020), which stated that leverage had a negative effect on financial distress. However, the results of these two studies contradicted the results of those conducted by Stephanie et al. (2020) and Maulidia and Asyik (2020), which found that leverage had no effect on financial distress conditions.

2.5 Profitability

Based on the empirical evidence from previous study results, such as Nabawi and Efendi (2020), profitability had a negative effect on financial distress. Nevertheless, these study results are not in line with those of Hosea et al. (2020), which found that profitability had a positive effect on financial distress. However, the results of these two studies contradict the research of Asmarani

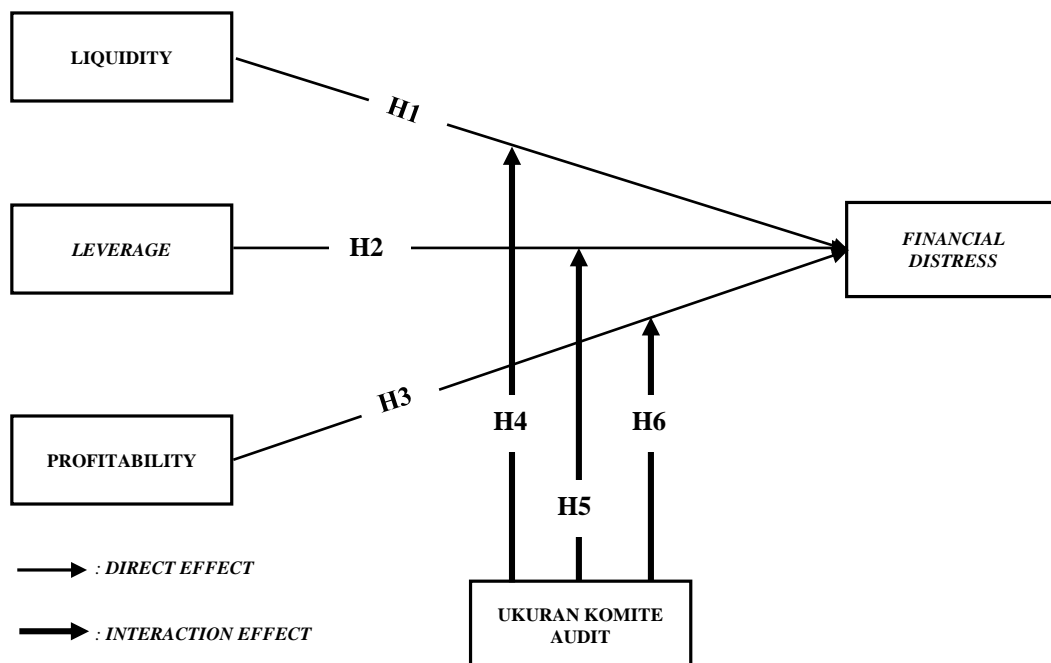


and Purbawati (2020) and Pawitri and Alteza (2020), which found in their research results that profitability had no effect on financial distress. Both studies conclude that the ROA ratio as a proxy for profitability cannot be used to predict financial distress. These results indicate that the distribution of the ROA ratio value is not greater than the deviation.

2.6 Size of the audit committee

The existence of an audit committee enhances the effectiveness of the oversight function of the company's board of directors and commissioners (Damayanti et al., 2017). Large size of the audit committee is expected to have increased resources and the improved quality of supervision, especially in the company's liquidity (Ardiyansyah and Paramita, 2020). Therefore, an audit committee with large members will have more resources to monitor the corporate financial performance in its liquidity; thus, it can reduce the potential for financial difficulties.

2.7 Conceptual framework



3. RESEARCH METHOD

3.1 Research type and description of the research population (object)

In this study, the population is public companies in the manufacturing and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2016 – 2019. Manufacturing industry companies in the construction sector were chosen since they constituted the most considerable number of companies listed. The study was focused on determining the effect of liquidity, leverage, and profitability on financial distress with the size of the audit committee as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange.

Furthermore, the observation period was carried out for four years, starting from 2016 to 2019 since it could provide an overview of the current state of the corporate's financial changes. Meanwhile, the sample selection from the manufacturing industry population used purposive sampling techniques, such as: 1) basic and chemical industries, 2) miscellaneous manufacturing, and 3) consumer goods industries. After grouping the samples, the companies engaged in basic and chemical industries, followed by goods and consumption industries, were dominated by companies operating in miscellaneous industries.

3.2 Techniques of data collection

This research used secondary data, which were obtained indirectly through intermediaries (recorded by other parties). The data consisted of annual reports and audited financial statements for December 31, 2016, 2017, 2018, and 2019. The data were



purchased from PT IMQ Multimedia Utama, one of the authorized connection vendors, directly from the Indonesia Stock Exchange. The sample of this study was manufacturing companies listed on the Indonesia Stock Exchange (IDX) for a period of four consecutive years, starting from 2016 to 2019. The purposive sampling was taken through certain criteria adapted to the research purposes. The criteria for the sample selection is as follows:

Table 1. Sample selection procedure

No	Remark	Number of samples
1.	Manufacturing and construction companies publishing audited financial statements and annual report for consecutive years from 2016 to 2019	37
2.	Manufacturing and construction companies not publishing audited financial statements and in rupiah currency for consecutive years from 2016 to 2019	(3)
3.	Manufacturing and construction companies never publishing restatement for consecutive years from 2016 to 2019	(1)
4.	The number of sample companies	33
5.	Total research data (33 x 4 years)	132

(Source: data collection)

Based on Table 1 above, the number of data used in this study accounts for 33 companies with a total observation for 4 years, totaling 132 sample companies.

3.3 Variables and measurements

Variables measurement is a process of values or attributes assignment to an object or research instrument used to be processed and produces an absolute value, from which, conclusions can be drawn. In this study, the authors used a measurement scale with the type of ratio for the five variables (liquidity, leverage, profitability, and the size of the audit committee) and a nominal of measurement scale for the financial distress variable. The following measurements are used to measure the five variables used in this study:

a) Liquidity

In this study, the liquidity variable is measured using the proxy of the current ratio, i.e., total current assets divided by total current liabilities of a company (Ariawan, 2017). The formulation of the current ratio is as follows (Ariawan, 2017):

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \tag{i}$$

b) Leverage

In this study, leverage is measured using the proxy of debt to total assets (DTA), which is total liabilities divided by a company's equity. DTA ratio calculated using the following formula (Putri and Erinos, 2020) (Putri dan Erinos, 2020):

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Liabilities}{Total\ Assets} \tag{ii}$$

c) Profitability

In this study, the return on assets (ROA) ratio is a proxy for measuring profitability variables, i.e., the amount of net profit earned divided by each rupiah of funds converted in total assets. In other words, the ROA ratio is measured based on the total net income divided by the total assets owned by the company. The ROA ratio is determined using the equation as follows (Liang et al., 2020):

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets} \tag{iii}$$



d) Size of the audit committee

In this study, the size of the audit committee is measured using a numerical approach by looking at the number of the company's audit committee members. The size of the audit committee can be determined using the equation as follows (Damayanti et al., 2017):

$$SAC = \sum \text{size of audit committee}$$

e) Financial distress

In this study, the variable of financial distress is measured using the Altman Z-Score method. A company is assigned value (1) if it has a Z score > 2.90, indicating not in a bankruptcy state. Meanwhile, the value (0) is assigned if the company has a Z value < 1.20, indicating that the company is in a bankruptcy state. The formulation of financial distress using a proxy from the Altman Z-Score method is as follows (Rohiman dan Damayanti, 2019):

$$Z = 0,717 (WCTA) + 0,874 (RETA) + 3,107 (EBITTA) + 0,420 (MVEBVD) + 0,998 (STA) \tag{v}$$

Keterangan:

- Z : Total score of Altman Z-score;
- WCTA : Ratio of working capital to total assets;
- RETA : Ratio of retained earnings to total assets;
- EBITTA : Ratio of earnings before interest and tax to total assets;
- MVEBVD : Ratio of the market value of equity to book value of total debt;
- STA : Ratio of sales to total assets.

3.4 Data analysis techniques

3.4.1 Logistics regression test

Logistic regression is used if a dependent variable in the causal relationship being tested is a dummy variable whose nominal scale variables with two or more categories are represented by the numbers 0 (zero), 1 (one), and 2 (two). The logistic regression data analysis technique primarily aims to see the level of prediction of category with the more dominant type (Ghozali, 2016).

3.4.2 Overall fit model

In this study, the likelihood value of L model is the probability that the hypothesized model describes the input data. A decrease in likelihood (-2LogL) indicates a better regression model, or in other words, the hypothesized model fits the data (Ghozali, 2016). Therefore, the hypothesis testing in this study was carried out using an equation based on a moderation regression analysis model. According to (Ghozali, 2016), the moderation regression analysis model uses an analytical approach that maintains sample integrity and provides a basis for controlling the influence of moderating variables. To use this method, it is necessary to compare three regression equations to determine the type of moderating variable. Three equations are formulated in this study as follows:

$$Ln \frac{FD}{1-FD} = \beta_0 + \beta_1 LIK + \beta_2 LEV + \beta_3 PROF + \epsilon \tag{i}$$

$$Ln \frac{FD}{1-FD} = \beta_0 + \beta_1 LIK + \beta_2 LEV + \beta_3 PROF + \beta_4 TI_LIK + \beta_6 TI_LEV + \beta_7 TI_PROF + \epsilon \tag{ii}$$

Where:

- $Ln \frac{FD}{1-FD}$: The value of the company's likelihood ratio that has the potential to face financial distress (dependent variable);
- β_0 : The constant value derived from the regression;
- $\beta_1-\beta_7$: Coefficient value of each variable;
- LIK : Independent variable of liquidity;



- LEV : Independent variable of leverage;
- PROF : Independent variable of profitability;
- UKA : Moderating variable of the size of the audit committee;
- UKA_LIK : Interaction between the size of audit committee and liquidity;
- UKA_LEV : Interaction between the size of audit committee and leverage;
- UKA_PROF : Interaction between the size of audit committee and profitability;
- ϵ : Value of error term

3.4.3 Goodness of fit test of the regression model (Hosmer and Lemeshow's GoF test)

The goodness of fit test of regression model was carried out using Hosmer and Lemeshow's goodness of fit test, which is a hypothesis test used to determine the goodness or fitness between predictions in the logistic regression model compared to data from observations. Therefore, the model can be regarded to be fit (Ghozali, 2016).

Hosmer and Lemeshow's goodness of fit test is used to measure whether the predicted probabilities match the observed probabilities. The basis for decision-making is based on the statistical value of Hosmer and Lemeshow's goodness of fit test of 0.05. In this sense, H0 is rejected because there is a significant difference between the model and the observation value so that the goodness of fit model is not reliable and the model cannot predict the observed value. Suppose the statistical value of Hosmer and Lemeshow's goodness of fit test is 0.05, it means that H0 is accepted and the model is able to predict the observed value (Ghozali, 2016).

3.4.4 Coefficient of determination (Nagelkerke R Square)

Cox and Snell's R square is based on the likelihood estimation technique with a maximum value of less than one (1); thus, it is difficult to interpret. This model attempts to imitate the size of R square in multiple regression. Nagelkerke R square is used to obtain a coefficient of determination that can be interpreted, such as the R² value in the multiple regression model (Ghozali, 2016).

Cox and Snell's R square is adjusted to Nagelkerke R square to ensure that the value varies from 0 to 1. It can be achieved by dividing the value of Cox and Snell's R square with its maximum value. A value close to 1 means that the independent variables provide almost all the information required to predict the dependent variables. Meanwhile, a smaller value (away from 1) means that the independent variables have limited ability to describe the dependent variable (Ghozali, 2016).

4. RESULTS AND DISCUSSIONS

4.1 Descriptive statistics

Based on descriptive statistical test results, we obtained data from the multiplication of the number of company samples. It accounts for 33 companies with a total observation period of 4 years, resulting in 132 research data. Descriptive statistics are presented to explain the data description of all variables taken into account in the research. Table 4 presents the descriptive statistics of the variables used in this study.

Table 2. Descriptive statistics of the variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity	132	0.09	37.03	2.52	3.87
Leverage	132	0.06	1.05	0.51	0.25
Profitability	132	-0.14	0.17	0.03	0.06
The size of audit committee	132	3	5	3.14	0.40

(Source: SPSS data processing, 2021)

Based on Table 2 above, we can observe that the number of objects under examination (N) from 2016 to 2019 is 132 data. According to Table 4, we could also observe each variable's minimum, maximum, mean, and standard deviation values. The table is used to assist in the determination of the deviation for each affecting variable to one another.



4.2 Overall model fit test results

The overall model fit test was evaluated by comparing the value between -2 log-likelihood (2LL) at the initial (block number = 0) with a value of -2 log-likelihood (-2LL) at the final (block number = 1), and the results were at -2 log-likelihood (-2LL).

Table 3. Comparison between initial and final -2LL values

-2LL initial (<i>Block 0</i>)	251,959
-2LL final (<i>Block 1</i>)	34,601

(Source: SPSS data processing)

In Table 3, the test results indicate that the initial -2LL value is 251.959. After processing three independent variables, the final value of -2LL decreased to 34.601. The decrease in the value of -2 log-likelihood can be interpreted that incorporating independent variables into the model can improve the fit model and show a better regression model. In other words, the hypothesized model fits the data.

4.3 Equation model of logistics regression test results

The logistic regression model can be formulated from the estimated parameter values in the variables in the equation table. The test results can be seen in Table 4.3 below:

Table 4. Variables in the equation

Step 1 ^a	Coefficient	Std. error	Wald	Degree of freedom	Significance	Exp (B)
CR	-0.440	1.387	2.100	1	0.037	0.644
LEV	1.441	2.117	4.463	1	0.003	0.237
ROA	-26.313	8.715	9.115	1	0.000	0.000
CR*UKA	5.274	4.645	5.289	1	0.002	0.001
DTA*UKA	-1.672	2.551	3.271	1	0.037	0.022
ROA*UKA	-14.449	11.009	17.210	1	0.000	0.000
Constant	-3.981	1.193	11.134	1	0.001	0.019

Based on Table 4, the generated equation model in this study can be depicted as follows:

$$\ln \frac{FD}{1-FD} = -3,981 - 0,440 LIK + 1,441 LEV - 26,313 PROF + \varepsilon \quad \dots\dots\dots (i)$$

$$\ln \frac{FD}{1-FD} = -3,981 - 0,440 LIK + 1,441 LEV - 26,313 PROF + 5,274 UKA_LIK - 1,672 UKA_LEV + 14,449 UKA_PROF + \varepsilon \quad \dots\dots\dots (ii)$$

The Exp (B) value is also called odds ratio (OR) for each independent variable, and its interactions are as follows: (1) The variable of liquidity (LIK) with the proxy of current ratio (CR), provides more predictions to financial distress by 0.644 times. The coefficient value is -0.440 from the natural logarithm of 0.644. Therefore, the coefficient value is negative, and we can conclude that the current ratio has a negative effect on financial distress. (2) The variable of leverage (LEV) with the debt to total assets (DTA) as a proxy provides more predictions to financial distress by 0.237 times. The value of 1.441 results from the natural logarithm of 0.237. Therefore, given the positive coefficient value, we conclude that debt to total assets positively affects financial distress. (3) The variable of profitability (PROF) with the return on assets (ROA) as a proxy cannot predict financial distress.

The coefficient has a negative value, i.e., -26.313, from which we can conclude that return on assets has a negative effect on financial distress. (4) The interaction of liquidity with the size of audit committee also predicts financial distress by 0.001 times. The coefficient value is 5.274 from the result of the natural logarithm of 0.001. Therefore, the coefficient value is positive, and it can be concluded that the interaction of liquidity with the size of the audit committee has a positive effect on financial distress. (5)



The interaction of leverage with the size of the audit committee also provides a financial distress prediction by 0.022 times. Meanwhile, the coefficient value is -1.672, resulting from the natural logarithm of 0.022. Given the negative coefficient value, we can conclude that the interaction between leverage and the size of the audit committee has a negative effect on financial distress. (6) The interaction of profitability with the size of the audit committee cannot predict financial distress. The coefficient value of -14,449 from the positive coefficient can be concluded that the interaction of profitability with the size of the audit committee negatively affects financial distress.

4.4 Wald test results (hypotheses)

As shown in Table 4, the Wald test results present 6 (six) hypothesis testings in this study. Therefore, it can be concluded that the results of six hypotheses testing with reference to the one-sided test (one-tailed) can be seen in Table 5 as follows:

Table 5. Hypotheses test results

Step 1 ^a	Predict	Coeff.	Std. Error	Wald	Sign. (2-tailed)	Sign. (1-tailed)	Decision
CR	-	-0.440	1.387	2.100	0.037	0.019	H1 Accepted
DTA	+	1.441	2.117	4.463	0.003	0.002	H2 Accepted
ROA	-	-26.313	8.715	9.115	0.000	0.000	H3 Accepted
CR*UKA	+	5.274	4.645	5.289	0.002	0.001	H4 Accepted
DTA*UK	-	-1.672	2.551	3.271	0.037	0.012	H5 Accepted
A							
ROA*UK	+	-14.449	11.009	17.210	0.000	0.000	H6 Rejected
A							
Constant		-3.981	1.193	11.134	0.001	0.000	N/A

(Source: SPSS data processing)

4.4.1 The effect of liquidity on financial distress

These study results indicate that liquidity has a negative effect on financial distress. Based on the study results, we can explain that liquidity is used as an indicator that a company can meet its immediately maturing obligations. A company with high liquidity is highly able to meet its maturing obligations. The liquidity ratio has a function to determine the extent to which the company can pay its short-term obligations that will be due soon (Kadim et al., 2020). In this study, the company's liquidity is assumed to be a predictor of its financial distress as measured by the current ratio (CR).

4.4.2 The effect of leverage on financial distress

The study results indicate that leverage has a positive effect on financial distress. Based on the results, we can explain that financial leverage is used to measure the company's ability to meet both short and long-term obligations. Analysis of this ratio is required to measure a company's ability to pay debts (short-term and long-term) if, at some point, it is liquidated or dissolved. A company with high financial leverage indicates it has much debt to outsiders, high financial risk due to financial distress.

4.4.3 The effect of profitability on financial distress

The study results reveal that profitability has a negative effect on financial distress. This study indicates that a company with high profitability has a high profit. Thus, it is less likely to experience financial distress. In this study, a company's profitability is assumed to predict a company's financial distress as measured by the return on assets ratio.

4.4.4 The effect of interaction between the size of the audit committee and liquidity on financial distress

The study results found that the size of the audit committee reduced the effect of liquidity on financial distress. The interaction between the size of the audit committee and liquidity indicates that when the company can overcome its short-term obligations, it also signals to investors its sound financial status and is away from potential financial distress. In addition, the company's condition that has an excellent current ratio is considered a healthy company. On the other hand, a lower current ratio is relatively regarded as more prone to financial distress.



4.4.5 The effect of interaction between the size of the audit committee and leverage on financial distress

These study results revealed that the size of the audit committee could reduce the effect of leverage on financial distress. The interaction between the size of the audit committee and leverage indicates that a company with escalating debt signals to management (agents) that the total debt to be paid increases. The increase in debt will reduce the company's profit and fluctuate, which can cause the company financial distress.

4.4.6 The effect of interaction between the size of the audit committee and profitability on financial distress

The study results found that the size of the audit committee did not enhance the effect of profitability on financial distress. The interaction between the size of the audit committee and profitability proves that if a company asset utilization is appropriately managed, there will not be an increase in income, resulting in increased profitability, which impacts the decreased financial distress (Khairuddin et al., 2019).

5. CONCLUSIONS

Based on the research results on the effect of liquidity, leverage, and profitability on financial distress with the size of the audit committee as moderating variable, we can draw some conclusions as follows: (1) Liquidity has a negative effect on financial distress. The study results align with those of Asmarani and Purbawati (2020), stating that liquidity negatively affects financial distress. (2) Leverage has a positive effect on financial distress. The results are in line with those of Asmarani and Purbawati (2020), which stated that leverage negatively affected financial distress. (3) Profitability has a negative effect on financial distress. This study results align with Nabawi and Efendi's (2020) research, which revealed that profitability had a negative effect on financial distress. (4) The size of the audit committee enhances the effect of liquidity on financial distress. The size of the audit committee leads to enhanced supervision of a company's financial performance. (5) The size of the audit committee reduces the effect of leverage on financial distress. The size of the audit committee causes the company's management to be supervised in its debt management policy. (6) The size of the audit committee does not enhance the effect of profitability on financial distress. The audit committee affects the management's performance to increase profits to avoid potential financial distress.

REFERENCES

1. Agustini, N. W., & Wirawati, N. G. P. (2019). Pengaruh Rasio Keuangan Pada Financial Distress Perusahaan Ritel Yang Terdaftar Di Bursa Efek Indonesia (BEI). *E-Jurnal Akuntansi*, 26 (3), 251–253. DOI: <https://doi.org/10.24843/EJA.2019.v26.i01.p10>.
2. Amity, M., Redding, S. J., & Weinstein, D. E. (2019). The Impact Of The 2018 Tariffs On Prices And Welfare. *Journal Of Economic Perspectives*, 33(4), 187–210. DOI: 10.1257/jep.33.4.187.
3. Apriada, K., & Suardikha, M. S. (2016). Pengaruh Struktur Kepemilikan Saham, Struktur Modal Dan Profitabilitas Pada Nilai Perusahaan. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana; VOLUME.05.NO.02.TAHUN 2016*. <https://ojs.unud.ac.id/index.php/EEB/Article/View/9309>.
4. Ardiyansyah, R., & Paramita, R. A. S. (2020). Pengaruh Makroekonomi Dan Mikroekonomi Terhadap Return Saham Dengan Intervening Kurs Pada Sektor Finance Di BEI Periode 2014-2018. *Jurnal Ilmu Manajemen*, 8(3), 995–1010. <https://journal.unesa.ac.id/index.php/jim/article/view/9070>
5. Ariawan, Y. (2017). Pengaruh Faktor-Faktor Penentu Financial Distress Pada Perusahaan Properti Yang Terdaftar Di BEI (Influence Factors Determinant Financial Distress In Property Listed In BEI). *Available At SSRN 2920542*.
6. Asmarani, S. A., & Purbawati, D. (2020). Analisis Pengaruh Likuiditas, Leverage Dan Profitabilitas Terhadap Financial Distress (Studi Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di BEI Pada Periode Tahun 2014-2018). *Jurnal Ilmu Administrasi Bisnis*, 9(3), 369–379. <https://ejournal3.undip.ac.id/index.php/jiab/article/view/28140>.
7. Ayu Pertiwi, D. (2018). Pengaruh Rasio Keuangan, Growth, Ukuran Perusahaan, Dan Inflasi Terhadap Financial Distress Di Sektor Pertambangan Yang Terdaftar DI Bursa Efek Indonesia (BEI) Periode 2012-2016. *Jurnal Ilmu Manajemen (JIM)*, 6(3). <https://jurnalmahasiswa.unesa.ac.id/article/24314>.



8. Baskoro, Addam; Umar, Haryono; Indriani, Agustina. (2021), The Influence of Corporate Social Responsibility (CSR) Disclosure and Sustainability Accounting on Earnings Response Coefficient (ERC), 2021, International Journal of Current Science Research and Review, www.ijcsrr.org
9. Brahmana, R. K. (2007). Identifying Financial Distress Condition In Indonesia Manufacture Industry. *Birmingham Business School, University Of Birmingham, United Kingdom*. <http://ir.unimas.my/id/eprint/18188>.
10. Brigham, E. F., & Houston, J. F. (2018). *Fundamentals Of Financial Management (With Thomson ONE - Business School Edition)*. South-Western Cengage Learning.
11. Ch, F. N., & Zulfiati, L. (2019). Financial Distress Analysis With Altman Z Score Method And Value Of Soes Listed On BEI. *5th Annual International Conference On Accounting Research (AICAR 2018)*. DOI: <https://doi.org/10.2991/aicar-18.2019.11>.
12. Chen, C., Chen, C., & Lien, D. (2020). Financial Distress Prediction Model: The Effects Of Corporate Governance Indicators. *Journal Of Forecasting*. DOI: <https://doi.org/10.1002/for.2684>.
13. Cinantya, I., & Merkusiwati, N. (2015). Pengaruh Corporate Governance, Financial Indicators, Dan Ukuran Perusahaan Pada Financial Distress. *E-Jurnal Akuntansi Universitas Udayana, 10(3)*, 897–915. DOI: <https://ojs.unud.ac.id/index.php/Akuntansi/article/view/10418>.
14. Farah, I. (2018). *Pengaruh Likuiditas, Leverage, Profitabilitas, Aktivitas, Dan Sales Growth Dalam Memprediksi Terjadinya Financial Distress Menggunakan Discriminant Analysis Dan Logistic Regression (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2013-2016)*. Skripsi. UIN Jakarta. <http://repository.uinjkt.ac.id/dspace/handle/123456789/39872>.
15. Firmansyah, Amrie; Utami, Wiwiek; Umar, Haryono; Mulyani, Susi Dwi. (2020) Risk relevance of comprehensive income: evidence from non-financial Indonesia companies, *Humanities & Social Sciences Reviews*
16. Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23 (Edisi 8). Cetakan Ke VIII*. Semarang: Badan Penerbit Universitas Diponegoro.
17. Hanifah, O. E., & Purwanto, A. (2013). Pengaruh Struktur Corporate Governance Dan Financial Indicators Terhadap Kondisi Financial Distress (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2009-2011). *Diponegoro Journal of Accounting, Volume 2, Nomor 2*. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/3310>
18. Hendrianto, S. (2017). Analisis Pengaruh Cash Ratio, Debt To Equity Ratio, Dan Return On Asset Terhadap Dividend Payout Ratio Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia. *Competitive, 1(2)*. DOI: <http://dx.doi.org/10.31000/competitive.v1i2.235>
19. Hidayat, N. (2018). *Analisis Keputusan Investasi Saham Dengan Pendekatan Price Earning Ratio (Studi Kasus Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index Tahun 2015-2017)*. Thesis (Skripsi) IAIN Purwokerto. <http://repository.iainpurwokerto.ac.id/id/eprint/4420>
20. Hosea, I. A., Siswantini, T., & Muratik, S. (2020). Leverage, Profitabilitas, Pertumbuhan Penjualan Terhadap Financial Distress Pada Perusahaan Ritel Di BEI. *Prosiding BIEMA (Business Management, Economic, And Accounting National Seminar)*, Volume 1, Nomor 60–74. Retrieve from: <https://conference.upnvj.ac.id/index.php/biema/article/view/718>.
21. Kadim, A., Sunardi, N., & Husain, T. (2020). The Modeling Firm's Value Based On Financial Ratios, Intellectual Capital And Dividend Policy. *Accounting, 6(5)*, 859–870. [dx.doi.org/10.34209/equ](https://doi.org/10.34209/equ).
22. Kasmir. (2018). *Analisis Laporan Keuangan*. Jakarta: Rajawali Pers.
23. Kefi, B. S. (2020). Inflasi Memoderasi Pengaruh Kurs Terhadap Indeks Harga Saham Gabungan Pada Bursa Efek Indonesia. *Jurnal Ekonomi Manajemen Akuntansi, 27(48)*. Retrieve from: <https://ejournal.stiedharmaputra-smg.ac.id/index.php/JEMA/article/view/377>.
24. Khairuddin, F., Mahsuni, A. W., & Afifudin, A. (2019). Pengaruh Good Corporate Governance Dan Rasio Likuiditas Terhadap Financial Distress Diperusahaan Manufaktur Yang Terdaftar Di BEI 2015-2018. *Jurnal Ilmiah Riset Akuntansi, 8(01)*. <http://riset.unisma.ac.id/jra/article/view/4622>.
25. Komala, F., & Triyani, Y. (2019). Analisis Rasio Keuangan Terhadap Financial Distress Dengan Struktur Kepemilikan Sebagai Variabel Moderasi. *Jurnal Akuntansi, 8(2)*. DOI: <https://doi.org/10.46806/ja.v8i2.619>.



26. Kurniasanti, A. (2018). Pengaruh Corporate Governance, Rasio Keuangan, Ukuran Perusahaan Dan Makroekonomi Terhadap Financial Distress (Studi Pada Perusahaan Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012-2016). *Jurnal Ilmu Manajemen (JIM)*, 6(3). Retrieve from: <https://jurnalmahasiswa.unesa.ac.id/index.php/jim/article/view/23907>.
27. Liang, D., Tsai, C.-F., Lu, H.-Y. R., & Chang, L.-S. (2020). Combining Corporate Governance Indicators With Stacking Ensembles For Financial Distress Prediction. *Journal Of Business Research*, 120, 137–146. DOI: 10.1016/j.jbusres.2020.07.052.
28. Martharini, L., & Mahfud, M. K. (2012). *Analisis Pengaruh Rasio Camel Dan Size Terhadap Prediksi Kondisi Bermasalah Pada Perbankan (Studi Pada Bank Umum Yang Terdaftar Dalam Direktori Perbankan Tahun 2006-2010)*. Thesis. Fakultas Ekonomika Dan Bisnis. Universitas Diponegoro. <http://eprints.undip.ac.id/35674>.
29. Maulidia, L., & Asyik, N. F. (2020). Pengaruh Profitabilitas, Leverage, Dan Likuiditas Terhadap Financial Distress Pada Perusahaan Food And Beverage Di Bursa Efek Indonesia. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 9(2). <http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/2788>.
30. Morris, R. D. (1987). Signalling, Agency Theory And Accounting Policy Choice. *Accounting And Business Research*, Volume 18, Nomor (69), 47–56. <https://doi.org/10.1080/00014788.1987.9729347>.
31. Nabawi, M., & Efendi, D. (2020). Pengaruh Leverage, Profitabilitas, Aktivitas, Growth Firm Terhadap Kondisi Financial Distress. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 9(1). <http://jurnal.pancabudi.ac.id/index.php>.
32. Novalina, A. (2019). Efek Simultanitas Kebijakan Moneter Terhadap Stabilitas Ekonomi Di Negara China, India, Vietnam Dan Indonesia. *Jurnal Abdi Ilmu*, 12(1), 19–29. <http://jurnal.pancabudi.ac.id/index.php>.
33. Nurrohman, M. H., & Zulaikha, Z. (2013). Pengaruh Earning Per Share, Return Saham, Kualitas Audit, Dan Hasil Laba Terhadap Return Saham Satu Tahun Ke Depan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2010-2011). *Diponegoro Journal Of Accounting*, Volume 2, Nomor (3), ISSN:516–524. <https://ejournal3.undip.ac.id/index./view/3427>.
34. Nurmayasari, Cinthya; Umar, Haryono; Indriani, Agustina. (2021), Effect of Current Ratio, Return on Equity, Debt to Equity Ratio, and Earnings per Share on Stock Returns of Mining Companies Listed on the Indonesia Stock Exchange, Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences, 2021
35. Pawitri, A. I., & Alteza, M. (2020). Analisis Pengaruh Likuiditas, Profitabilitas, Leverage, Operating Capacity, Dan Biaya Agensi Manajerial Terhadap Financial Distress. *Jurnal Fokus Manajemen Bisnis*, 10(2), 149–168. <http://journal2.uad.ac.id/index.php/fokus/article/view/2443>.
36. Putri, D. S., & Erinos, N. R. (2020). Pengaruh Rasio Keuangan, Ukuran Perusahaan Dan Biaya Agensi Terhadap Financial Distress. *Jurnal Eksplorasi Akuntansi*, Volume 2, Nomor (1), ISSN: 2083–2098. Retrieve from: <http://jea.ppj.unp.ac.id/index.php/jea/article/view/199>.
37. Rachmawati, L., & Retnani, E. D. (2020). Pengaruh Kinerja Keuangan Dan Kepemilikan Manajerial Terhadap Financial Distress. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, Volume 9, Nomor (3). Retrieve from: <https://journal.unesa.ac.id/index.php/jim/article/view/8953>.
38. Rainingtyas, Annisa Salsabila; Umar, Haryono; Indriani, Agustina. (2021), The Influence of Financial Distress And Audit Committee On Fraudulent Financial Reporting Moderating By Good Corporate Governance, SSRG International Journal of Economics and Management Studies.
39. Razak, A. M., & Suhadak, S. (2019). Pengaruh Worldwide Governance Indicators Dan Macroeconomic Terhadap IHSG (Studi Pada Negara Indonesia, Malaysia, Filipina, Singapura, Dan Thailand Tahun 2004-2016). *Jurnal Administrasi Bisnis*, Volume 70, Nomor (1), 1–10. Retrieve from: <http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/2808>.
40. Rohiman, S. F., & Damayanti, C. R. (2019). Pengaruh Inflasi, Nilai Tukar Dan Suku Bunga Terhadap Financial Distress (Studi Pada Semua Perusahaan Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2017). *Jurnal Administrasi Bisnis*, Volume 72, Nomor (2), 186–195. Retrieve from: <http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/2881>.
41. Safitri, R. D. (2015). *Analisis Faktor-Faktor Penentu Pertumbuhan Ekonomi Di Koridor Utara Selatan Provinsi Jawa*



- Timur. Thesis (Skripsi) Universitas Muhammadiyah Malang. <http://eprints.umm.ac.id/id/eprint/21937>.
42. Sakinah, S., Alam, S., & Wahyuni, N. (2019). The Effectiveness Of Tax Collection With A Distress Warrant At Pratama Tax Office (Kpp) Of North Makassar. *JOSAR (Journal Of Students Academic Research)*, 4(1), 146–158. DOI: <https://doi.org/10.35457/josar.v4i1.1112>.
 43. Sekaran, U., & Bougie, R. (2016). *Research Methods For Business: A Skill Building Approach*. John Wiley & Sons.
 44. Sopian, D., & Rahayu, W. P. (2017). Pengaruh Rasio Keuangan Dan Ukuran Perusahaan Terhadap Financial Distress (Studi Empiris Pada Perusahaan Food And Beverage Di Bursa Efek Indonesia). *Competitive*, Volume 1, Nmor (2). DOI: <http://dx.doi.org/10.31000/competitive.v1i2.240>.
 45. Stephanie, S., Lindawati, L., Suyanni, S., Christine, C., Oknesta, E., & Afiezan, A. (2020). Pengaruh Likuiditas, Leverage Dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Properti Dan Perumahan. *COSTING: Journal Of Economic, Business And Accounting*, 3(2), 300–310. DOI: <https://doi.org/10.31539/costing.v3i2.1122>.
 46. Su, W., Peng, M. W., Tan, W., & Cheung, Y.-L. (2016). The Signaling Effect Of Corporate Social Responsibility In Emerging Economies. *Journal Of Business Ethics*, 134(3), 479–491. DOI: <https://doi.org/10.1007/s10551-014-2404-4>.
 47. Triggs, A. (2018). Macroeconomics and multilateralism: The benefits and influence of global macroeconomic policy cooperation. Retrieve access from <http://hdl.handle.net/1885/149501>. DOI: 10.25911/5d611d680eb8f.
 48. Utami, M. (2015). Pengaruh Aktivitas, Leverage, Dan Pertumbuhan Perusahaan Dalam Memprediksi Financial Distress. *Jurnal Akuntansi*, 3(1). <http://ejournal.unp.ac.id/students/index.php/akt/article/view/1646>.
 49. WA, R. A., Wahono, B., & Saraswati, E. (2020). Pengaruh Likuiditas, Leverage, Dan Profitabilitas Terhadap Financial Distress (Studi Kasus Pada Perusahaan Sub Sektor Tekstil Dan Garmen Di BEI Tahun 2017-2019). *Jurnal Ilmiah Riset Manajemen*, Vol9, No (11). Retrieve from: <http://www.riset.unisma.ac.id/index.php/jrm/article/view/8200>.
 50. Yuliani, M., & Sulpadli, S. (2020). Yuliani, M., & Sulpadli, S. (2020). Pengaruh Kinerja Keuangan Terhadap Pengaruh Kinerja Keuangan Terhadap Kondisi Financial Distress Pada Perusahaan Telekomunikasi Di Bursa Efek Indonesia. *CAM Journal: Change Agent For Management Journal*, 4(2), 30–43. <https://ejournal.upi.edu/index.php/JRAK/article/view/22684>.
 51. Yusuf, A. M. (2016). *Metode Penelitian Kuantitatif, Kualitatif & Penelitian Gabungan*. Prenada Media.
 52. Zhang, A., & Ewald, C.-O. (2010). Optimal Investment For A Pension Fund Under Inflation Risk. *Mathematical Methods Of Operations Research*, 71(2), 353–369. DOI: <https://doi.org/10.1007/s00186-009-0294-5>.

Cite this Article: Okik Hastiarto, Haryono Umar, Agustina Indriani (2021). The Effect of Liquidity, Leverage, and Profitability on Financial Distress with Audit Committee as a Moderating Variable. International Journal of Current Science Research and Review, 4(10), 1304-1315