

EFFECT OF CAPITAL STRUCTURE, LIQUIDITY, AND PROFITABILITY ON FINANCIAL DISTRESS WITH THE EFFECTIVENESS OF THE AUDIT COMMITTEE AS VARIABLE MODERATE

(Study Empirics in Construction and Building Companies in Indonesia period 2018-2020)

Dimas Angga Negoro¹, Muhammad Suriawan Wakan².

Faculty Economic Business, Esa Unggul University Indonesia

ABSTRACT: In the current condition of the covid pandemic, various industries are affected by severe financial difficulties due to the failure of the established business strategy. One of the industries affected is the construction and building industry, where several companies have already declared fantastic losses. Referring to this, the author tried to conduct research related to the structure of capital, Liquidity, and the company's performance to financial distress by adding variables of moderation of the frequency of audit committee meetings as moderation and agency theory as a reference the view. The sample studied was 17 construction and building companies for the period 2018-2020. The method used is the regression of panel data processed using the EViews application. The result of this study is that the capital structure has no positive effect on financial distress, Liquidity does not negatively affect financial distress. Sending profitability negatively affects financial distress. In comparison, the variable moderation of the audit committee's effectiveness does not involve independent variables to financial distress. This explains why limiting the number of committee meetings audited does not affect the financial problems of the committee members.

Keywords: Profitability, Liquidity, Capital Structure, Capital Structure, Altman Z Score, financially stressed, agency theory, audit committee, frequency of audit committee meetings.

I. INTRODUCTION

The country's economic situation dramatically affects the symptoms of financial difficulties in a company. One of the signs and signals of the company exposed to financial distress is a decrease in financial condition before the company is declared bankrupt (Platt and Platt, 2002). The spread of SARS-COV-2 has affected many economic and social systems (Spelta et al., 2020). The impact of the SARS-COV-2 pandemic made financial difficulties happen today, seen in the last two years of 2020 to 2021, resulting in many companies failing to maintain their financial performance conditions. Hence, predictions of economic difficulties are significant for entrepreneurs, creditors, and suppliers. This failure of financial performance resulted in financial problems and the disease of the company's inability to manage financial health that is not good or financial distress occurs.

Corporations facing financial problems and failing to act promptly will be compelled to close their doors. (Saputri and Asrori, 2019). One sign of financial distress is an increase in debt that will increase interest costs. If management capital is not correct and appropriate, they will difficultly pay debts and interest costs. Determination of capital management intelligent design can show the strength of a company's completing its obligations so that financial difficulties will be handled with good capital structure management. In addition to a proper capital management structure, the company also needs to manage the company's liquidity and profitability. Good financial conditions will be seen from high Liquidity to resolve short-term debt, so that good Liquidity becomes a signal for investors to know the shape of a company (Izzalqunyet et al., 2019). The company's financial performance profitability becomes the company's benchmark, where high profitability improves the company's financial performance (Izzalqunyet et al., 2019).

They must first establish if the company is suffering financial hardship or not before making a decision on whether to protect the business from going out of business. Financial distress may be caused by a variety of reasons. In light of the economy's economic importance being stressed nearly signal of bankruptcy to signaled with professionalizing-making by the audit committee. The audit committee assesses a company's financial situation, which becomes one of its most essential components. The audit committee monitors management

activities to ensure that they do not deviate from the relevant standards. This is accomplished through the holding of a meeting of members of the audit committee. A committee of members assesses a company's financial situation. The high frequency of audit committee meetings can help members get more information about the company's health and take action before the situation deteriorates into total bankruptcy (Nuresa and Hadiprajitno, 2013)

The audit committee becomes one of the determining factors in determining the extent of a company's financial condition. In order to function correctly, an audit committee must be in place. I was thinking supervision of management behavior so as not to deviate from the applicable rules. This is done by holding a meeting of members of the audit committee. The high frequency of audit committee members' meetings speeds up knowledge if the company is in poor health and takes action before bankruptcy worsens (Nuresa and Hadiprajitno, 2013).

According to that, research on financial distress generally uses financial-economic indicators to predict the condition financial-economic future researchers must analyze what factors affect financial difficulties. The factors that trigger economic challenges in the company are exciting topics for previous researchers, this is seen from research conducted by Balasubramanian et al. (2019); Ufo (2015); Masdup et al. (2018); Yegon and Koske (2018); Kazemian et al. (2017); Izzalqunyet al. (2019); Krisantiet al. (2016); Susantiet al. (2020); Restiantian and Agustina (2018); Alifiah (2014); who research factors related to capital structure, Liquidity, profitability to financial distress. Salloum et al. (2014); Manzaneeq, ueet al. (2015); Brédart (2014); Khalidet al. (2020); Saputri and Asrori (2019); Widhiadnyana and Ratnadi (2019), conducted research on the effectiveness of the audit committee with financial distress.

Research conducted by several researchers such as Balasubramanian et al. (2019); Ufo (2015); Masdup et al. (2018); Yegon and Koske (2018); Kazemian et al. (2017); Izzalqunyet al. (2019); Kristantiet al. (2016); Susantiet al. (2020); Restianti and Agustina (2018); focuses only profitability, Liquidity, and Capital Structure only. However, it is still challenging to come across research and investigating the effect of covid 19 on financial distress on construction companies that will be used in this study. This research was also in the period 2018-2020 at the time of the Covid Pandemic conditions and in Construction and Indonesia's construction companies Indonesia. There is a moderation variable, the number of audit committee meetings, which is being tested to determine whether the frequency of audit committee meetings may either strengthen or weaken construction firms that are facing financial problems. When conducting this study, the agency's concept was used. To be more specific, the goal of this research is to look at what factors affect financial difficulties in construction and building sub-sector companies listed on the Indonesia Stock Exchange, then this research as a material for evaluating and changing the company's strategy on its financial condition, especially during the covid-19 pandemic where companies need to anticipate financial difficulties that can lead to bankruptcy, while for the government as a step to provide policies in addressing finance economic conditions in Indonesia by offering stimulus to business people in Indonesia and providing appropriate policies to increase the durability of the construction and building industry from the impact of the coronavirus pandemic and global crisis.

II. LIBRARY REVIEW

Agency theory

A relationship or contract between a principal and an agent, according to Scott (2015), is defined as a relationship or contract between the principal and the party who hires the agent to perform the duties on behalf of the principal, and the agent redesignates the party exercising the principal's interests. Explain the connection between principal and agent that represents the fundamental structure of agency between principals and agents that participate in the cooperative activity but have contrasting objectives and attitudes about risk. Corporate behavior is described in agency theory from the perspective of various contracts betterments parties. Instead of being considered a business owner, shareholders who donate funds to a company's operations are referred to as risk-takers.

In the real world, business leaders get funding from investors who think that managers have the capacity to handle money efficiently and profitably. Management holds contracts detailing the tasks they have to perform and the distribution of rewards between managers and investors. Because of the difficulty of describing and forecasting future potential, contracts signed by managers are complicated to enforce (Shleifer and Vishny, 1997). As a result, managers have the authority to make choices outside the scope of their contract. It is man's tendency to make choices according to his own interests; Managers are no exception and will make decisions based on profit alone, ignoring the interests of shareholders.

Recognize three types of agency fees associated with the agency's primary behavior: management monitoring, binding agents with significant cases, and residual losses. In this study, agency costs were used to cover the cost of monitoring management conducted through contracts. According to determines the most effective agreement for regulating interactions between the main agents. In agency theory, there is a contract in which the principal gives instructions to the agent to conduct the business. Still, the agent will perform actions

that are not following the instruction principle (Ichsan, 2013). This disparity of importance is referred to as an agency issue, which occurs due to an information imbalance. This is because the agent knows everything going on in the business, while the principal does not know the current state of industries.

The principal shall take supervisory measures against the agent to avoid potential principal losses due to the agent's actions deviating from the principal. The provision of information is one method of reducing uncertainty, and as such, plays an essential role in the sharing of risk between agents and principals. Using the information provided by the business as a basis, investors can make decisions about the company's financial health. If the agent makes a mistake in managing the Industry, the company may suffer financial losses due to the error. Agents attempt to falsify business financial accounts. Business financial accounts indicate financial difficulties if the company generates negative profits for an extended period (Hidayat and Merianto, 2014).

Financial Difficulties (Financial Distress)

Saputri and Asrori (2019) describe financial distress as the stage of deterioration of the financial state that occurs before bankruptcy or liquidation. Platt and Platt (2002) define financial distress as the stag decomposition nation of economic conditions before bankruptcy or liquidation. Financial difficulties begin with a company's failure to meet its commitments, especially short-term ones, such as liquidity requirements, as well as liabilities that fall into the solvency category. Based on the definition given by Indri (2012), financial hardship is defined as an environment in which business operating cash flow is insufficient to pay off existing commitments (such as debt or interest costs), and companies are forced to take corrective action. It can be inferred from the previous definition that financial difficulties are financial difficulties experienced by businesses, that financial difficulties are the third stage of bankruptcy, and that problems of the financial condition occur before the company falls into default.

Financial distress is a state of affairs in which a business finds itself. Is experiencing financial difficulties. According to Saputri and Asrori (2019) explained that Financial distress is the stage of decline in the financial situation that occurred before bankruptcy occurred. Information about finances is used by people who are at the same time as people. So, damage even those who have an essential role can take part in a very destructive life. When the company is experiencing financial difficulties, it will be a consideration consider creditors invest. So that the company must be able to show good company performance to attract investors

According to a three-approach to assessing a company's financial vulnerability, all three approaches are statistical approaches based on the inequality between current assets and short-term liabilities, both functional approaches and third approaches with the Z-Score approach (Pernamasari et al., 2019). The Altman Z Score bankruptcy risk prediction model is a multivariable equation that Altman uses to predict a company's bankruptcy rate. Altman used a statistical model called discriminant analysis, precisely multiple discriminant analysis (Altman, 1968). Z-Score analysis was developed in 1968 by Edward I. Altman. His research sampled 66 public manufacturing companies located in America, consisting of 33 bankrupt companies and 33 randomly selected companies that never went bankrupt. Altman calculated 22 ratios to test. Of these, selected only five ratios that have the strongest correlation with bankruptcy, Altman formed a formula 3 Z Score in. Altman Z scores formulas are reserved for three different categories of companies, namely for public companies, closed companies, and non-manufacturing public companies. The study used the Altman Z Score model for public manufacturing companies (Nurul and Zulfiati, 2019). The formula used is as follows:

$$Z = 1.2 (X1) + 1.4 (X2) + 3.3 (X3) + 0.6 (X4) + 1.0 (X5)$$

Information:

Z = Bankruptcy Index

X1 = Working Capital / Total Assets

X2 = Retained Earnings / Total Assets

X3 = Earnings Before Interest and Taxes / Total Assets

X4 = Equity Market Value / Debit Book Value

X5 = Sale / Condition of Total Asset Score

Score index > 2.99 Insolvent, 1.81 - 2.99 Grey Area, < 1.81 Bankruptcy

Stages of bankruptcy

As Kordestaniet al. (2011) described, the bankruptcy phase can be broken down into the following categories: The first stage is called the Latency stage, and during this period, the Return on Assets will decrease. The second stage is the Shortage fist fill with amounts of cash., the ethics of a business is in the cash shortage stage. It may not have sufficient financial resources to meet its current commitments, even though it can still make significant profits. Financial difficulties characterize the third stage. An organization may be regarded as a financial emergency if it faces economic challenges and is on the brink of going out of business at that time. The last step is bankruptcy; If the Industry cannot cure the signs of financial distress, the corporation will be forced to file for bankruptcy.

Capital Structure

Specifically, according to Kasmir (2013), the solvency ratios also known as the capital Structure ratio, the ratio used to determine how much an asset a company is financed by debt. It refers to the amount of debt a company uses to fund its business operations compared to the company's amount of capital. In other words, the amount of debt that the business has incurred concerning the number of assets it has. Generally speaking, solvency ratios are used to evaluate a company's capacity to pay all of its financial obligations, both short- and long-term, promptly, if it is forced out of business or liquidated. According to Kristantiet al.(2016), a type of capital structure ratio used as a proxy using the total debt divided by the entire complete formula is the capital structure ratio (Tesfamariam, 2014).

It is a debt ratio that measures the relationship between total debt and total equity. It is sometimes referred to as the debt-to-capital ratio or simply the debt-to-equity ratio. Among other things, it shows how much of the company's capital is financed by debt and how much the company's debt affects its capital management practices. The debt-to-funding ratio increases as a result of an increase in the amount of debt may finance because it is estimated that the company will not be able to meet its financial commitments with the assets it has now. It will be increasingly difficult for the company to get further loans. On the other hand, the debt-to-equity ratio shows that a low debt ratio explains that companies are getting smaller in debt.

Liquidity

Liquidity is the evaluation of a company's ability to meet its short-term liquidity needs, including meeting its short-term commitments at any time or the maturity of those obligations (Veithzal Rivai, 2013). Liquidity is the ratio used to assess a company's ability to meet its short-term financial commitments (such as debt payments). This ratio compares the number of short-term liabilities owed with the number of short-term resources (current assets) available to meet those commitments (Horne and Wachowicz, 2021). According to the asset perspective, Liquidity is defined as the capacity to convert an entire asset into cash. In contrast, from a passive attitude, Liquidity is defined as a company's ability to meet the demand for money by expanding its portfolio of liabilities.

According to Kasmir (2013), liquidity ratios are used to indicate or assess a company's ability to meet due commitments, including obligations to third parties and obligations to other companies within the same organization. In other words, the liquidity ratio indicates a company's ability to pay its maturing short-term debt or the ratio used to assess a company's ability to finance and meet commitments (debt) when billed. Businesses often use many types of liquidity measures to determine a company's capacity or willingness to pay down debt. The current ratio is the number of existing assets divided by the current debt multiplied by one hundred percent. The current ratio indicates the extent to which existing assets exceed current liabilities in a financial statement. The greater the disparity between existing assets and present debt, the better the company it's to meet its short-term liabilities in the near term.

Profitability

The extreme survival of a company is based on the profitability of the business. The liquidity ratio indicates how well the company has operated during the fiscal year. Static trade-off theory suggests that profitable companies tend to have tax burdens and low bankruptcy costs (Faez and Kalantari, 2015). In addition, Good companies have more can debt because they can easily quickly their obligations on time. This indicator can have an important essential in bankruptcy investigations (Rafatnia et al., 2020). Specifically, the profitability ratio is a metric used to evaluate a company's capacity to generate profits. This ratio also serves as a barometer of the performance of a company's management staff. Profits from sales and investment income are used to determine how much money is spent. The use of profitability ratios can be achieved by comparing the various components of financial statements, especially balance sheet comparisons and income statements.

Measurements can be made for several different periods. The goal is to observe the growth of the business over some time, whether it is a decline or a rise, while also trying to determine the reason for that change. In the short term, the results of these measurements can be used to evaluate managerial performance to determine whether so far successful or ineffective. Return on equity (ROE) is the amount of net income earned concerning the amount of equity held. Expressed in percent form (Kasmir (2013). A company's organizational capacity to make a profit by leveraging the equity that shareholders have donated is measured using the term "Return on Equity." The profitability ratio is calculated using a proxy formula. According to after-tax profit is divided by Total Equity.

Audit Committee

As long as permitted by Bapepam requirements in Kep. 643/BL/2012, the audit committee is a committee formed by the board of commissioners to perform supervisory duties on the management of the company. The existence of an audit committee is essential for the implementation of a company's financial operations. In addition, the audit committee is considered a liaison between shareholders and the board of commissioners and management in matters of control-related issues. Said that since the Indonesia Stock Exchange approved the listing of GCG in 2000, the audit committee has become a component in the framework of public corporate governance (Pohan, 2008). In general, this committee acts as a supervisor over the

preparation of financial statements and an internal supervisor of the business. Following IDX regulations, all issuers shall establish and maintain audit committees known to independent commissioners, provided that at least three audit committees be established and maintained; if the audit committee is less than three, then the issuer does not comply with IDX regulations

According to committees formed by businesses are responsible for providing opinions on financial policy, accounting, and internal control. An audit committee has been established to verify that the resulting financial statements are not deceptive and following accepted accounting principles. The second step is to ensure that the company's internal controls are adequate; The third step is to investigate alleged material irregularities in finance and determine the legal implications of the allegations, And the fourth step is to recommend selecting external auditors. In order for a committee to be effective in controlling and monitoring top management operations, it must have sufficient numbers of members to carry out its duties effectively (Lee and Connie, 2012).

Audit Committee Meeting

The audit committee meeting is a meeting of members of the audit committee, whose decision-making is conducted in deliberation and consents and is conducted. It is fast every three months (OJK Regulation Number: 55/POJK.04/2015) to ensure that the committee's decisions are up to date (Ojk, 2015). Article 14 states that audit committee meetings can be conducted if more than half of the committee members are present. Article 15 refers to the decision of the audit committee meeting reached after deliberation and consensus. A copy of the minutes of each audit committee meeting, even if there is a difference of opinion, shall be signed by all members of the audit committee present and submitted to the board of commissioners, as referred to in Article 16. (Ojk, 2015).

Audit committee meetings should be held regularly, following corporate governance laws and rules (BRC, 1999; NACD BRC on the audit committee, 2000). In 1999, the British Royal Commission (BRC) recommended that audit committees meet at least four times each year. The frequency of audit committee meetings held helps improve communication between directors and auditors and the efficacy of the audit committee. Audit committee meetings are related to the production of high-quality financial reporting. Audit committees that meet more often provide more effective results for monitoring financial operations as they discuss and follow up on any economic issues that arise. As part of its duties, the audit committee holds regular meetings to track financial roles, reporting procedures, and internal controls, all of which improve the overall quality of financial reporting. According to some studies (Davidson et al. 2005; Garca et al. 2012; Ghosh et al. 2010; Yang and Krishnan, 2005), the number of audit committee meetings conducted in one financial year is measured in meetings per financial year. The number of audit committee meetings can be calculated as follows: RKA is the number of audit committee meetings held in a year. In this study, the effectiveness of the number of meetings of a company's audit committee was used as a proxy to measure its effectiveness.

III. RELATIONSHIPS BETWEEN VARIABLES

The theory used in this study is Agency Theory. Based on agency theory, principals and agents have different interests from each other. Conflicts of interest arise due to asymmetric information between company owners and management. Management has access to more information because it is directly involved in the direction of the business, in contrast to the owners of the company. They are not aware of the current state of the company. Companies use agency fees to minimize conflicts between managers and company owners.

The Effect of Capital Structure Ratio on Financial Distress

When the value of the capital ratio is high structure, the company has obligations that must be borne from the acquisition of company funds that are not balanced with existing assets in the company, so that the company has financial difficulties. But when the company has a small capital structure value, the possibility of experiencing a bankruptcy is also reduced. A large structure indicates that the proportion of a company's external funds is more significant than the company's internal funds. When the value of the capital ratio is high, the structure indicates that the company funding is primarily mostly from debt. If not managed properly, it will cause the company to go bankrupt.

According to agency theory, the use of corporate debt will incur agency costs. Capital structure is a ratio that shows how much debt is used as a source of company funding. Balasubramanian et al. (2019); Yegon and Koske (2018); Kazemian et al. (2017); Hanifah and Purwanto (2013); diet al. (2018); and Antikasari and Djuminah (2017), and empirical evidence between Capital Structures that are positively related to financial difficulties (financial distress), where when the debt ratio is high then the percentage of companies experience problem difficulties (financial distress) will increase. The following first hypothesis is put forward by the authors based on the findings of the study above:

H1: Capital Structure positively affects financial distress

The Effect of Liquidity Ratio Financial Difficulties

One tool that managers use to ensure that they meet their obligations to principals is Liquidity. Its Liquidity demonstrates a business's capacity to meet its current commitments. According to the substantial

strong liquidity value of the business, the company's ability to pay off all existing duties is excellent. As a result, the business will be protected from potential financial problems (financial distress). Liquidity is one of the tools that managers use to ensure that they meet their obligations to principals. Its Liquidity demonstrates a business's capacity to meet its current commitments. According to the substantial liquidity value of the business, the company's ability to pay off all existing duties is excellent. As a result, the business will be protected from potential financial problems (Financial distress).

Agency theory states that a conflict of interest arises between the owner and management of the company. This conflict arose due to asymmetric information between the two parties (Jensen and Meckling, 1976). Liquidity is one of the management responsibilities of the owner of the company. Management is accountable to stakeholders through disclosure of financial performance in annual reports and financial statements issued by the company is a tool that can be used for decision making. The high liquidity ratio value indicates that the company can pay off the current obligations and be said to be good. The higher the Liquidity, the percentage of companies that experience financial difficulties (Financial distress).

Research conducted by Balasubramanian et al. (2019); Ufo (2015); Kazemian et al. (2017); Khalid et al. (2020); Masdupiet et al. (2018); Alifiah (2014); Antikasari and Djuminah (2017); Kholidah et al. (2016), shows that when the liquidity ratio rises, the company can pay its current commitments at maturity, as well as avoid the risk of financial distress. The following second hypothesis is put forward by the authors based on the findings of the study above:

**H2: Liquidity negatively affects financial distress
The Effect of Profitability Ratio in financial Difficulties**

Profitability will show how profitable a business is. Profitability is significant because it serves as the basis for decision-making. When the profitability ratio is high, its performance is considered excellent because its activities generate high profits. When a business earns high profits, yields reduce its dependence on debt, thereby reducing the risk of financial difficulties or financial difficulties. Following agency theory, there is a conflict of interest between the owner and the agent in the business, resulting in conflict.

The agent acting as the company's management is fully aware of all the conditions of the company, while the owner is not fully aware of all the second requirements of the company. Profitability is one of the tasks of management in carrying out its obligations. The profitability ratio allows owners to assess the current state of the business quickly. A profitable business can be seen as an indication that the management team is effective in running the business so that the goals of both parties are met and disputes minimized (Jensen and Meckling, 1976). That is, when the profitability ratio of the company is high, its dependence on debt will be reduced, thus lowering the risk of financial distress.

High profitability indicates that the company has a good and excellent condition and increases the company in avoiding economic occurrence of distress. Research conducted by; Kazemian et al. (2017); Kholidah et al. (2016); Masdupiet et al. (2018); Alifiah (2014), gives results that profitability negatively affects the possibility of financial occurrence of distress. Based on the results of the above study, the author proposed the following initial hypothesis:

H3: Profitability positively affects financial distress

Capital Structure, Liquidity and Profitability against financial difficulties by moderation by audit committee meetings.

More and more audit committee meetings in a company can improve performance and guide management in choosing the right decision to prevent the company from the possibility of financial distress. The number of audit committee meetings often provides more monitoring and evaluation of top management resource problems and the quality of financial statements. This can improve internal governance practices and improve internal monitoring resources. Previous studies found mixed results in the relationship between the audit committee and the company's financial performance (Al-Najjar, 2011). This reflects the effectiveness of audit committees that can moderate or strengthen or weaken the influence of capital structure on the company's financial distress.

Agency theory described by Jensen and Meckling (1976) states that agency problems that arise in companies can be minimized in several ways. This includes increased oversight in the company. The better the supervision in the company, the better the management decision on a policy. This is because management will feel more monitored so that its performance will also increase. Audit committee meetings play a role in the capital structure's influence on financial difficulties. Companies with the number of audit committee meetings regarding the level of debt (Capital Structure) used by the company. This can prevent the company from financial difficulties. This is in line with Haziro and Negoro (2017) research, Yanuar (2018), which explained that the audit committee proved to be a moderation variable that can control the influence between Capital Structure and Financial distress. The following fourth hypothesis is put forward by the authors based on the findings of the study above:

H4: Capital Structure positively affects financial distress with the number of audit committee meetings as a moderation variable.

The Number of Audit Committee Meetings moderates Liquidity to financial difficulties.

The existence of audit committee meetings that will often ensure that the company has good supervision of management. Agency theory states that differences in interests cause conflicts between owners and agents. With the existence of independent parties such as audit committees and supported by the frequency of audit committee meetings will improve management performance. Because of good supervision, management thinks about its well-being and the welfare of the company that has become the responsibility leadership. So that there will be harmony between the owner and the manager. The frequency of audit committee meetings that often will improve management performance so that the liquidity ratio is higher and can prevent the company from the possibility of financial distress. This is proof that qualified committee meetings can use their experience to assist the committee in monitoring the company's performance (Salloumet al., 2014). The description explains that the frequency of audit committee meetings can be used to measure the effect of Liquidity on financial distress, such as Haziro and Negoro research (2017), Yanuar (2018), which explained that the audit committee proved to be a moderation variable that can control the influence between Liquidity and financial distress. Based on the results of the above study, the author proposed the following initial hypothesis:

H 5: Liquidity negatively affects financial distress with audit committee meetings as a moderation variable. Profitability against financial difficulties by being moderated by the Number of Audit Committee Meetings.

Profitability is a sign of the success of the management team. This process cannot be separated from management supervision by independent third parties (Saputri and Asrori, 2019). This is following the agency theory, which states that management must be accountable to its owners, which is indicated by the level of profitability. According to agency theory, conflicts between owners and agents are generated by conflicting interests. The existence of independent parties, such as audit committees, and holding audit committee meetings periodically can improve managerial performance. The better the quality of the audit committee's supervision sessions, the more profitable the business will be. As a result, the likelihood of companies experiencing financial difficulties the amount of time is decreased.

Effective management and effective leadership are inextricably linked. From the oversight function of the audit committee in business. The frequency of audit committee meetings is one of the company's performance objectives for management monitoring. To achieve this goal, there needs to be supervision from a third party, namely the audit committee. The more often the audit committee meets, the tighter the monitoring of business management, ensuring that the company performs well and profits. Profitability can keep a business away from financial difficulties or problems. As explained, Widhiadnyana (2020), Haziro and Negoro (2017), Yanuar (2018) showed that the frequency of audit committee meetings is a moderation variable that can reduce the effect of profitability on financial difficulties.

H₆: Profitability negatively affects financial distress with audit committee meetings as a moderation variable.

IV. METHODOLOGY

Sample and Population

This research is a quantitative study to know the variables that affect financial difficulties. The research design used in this study is an investigation of causality tests. Secondary information included in this study was collected through the use of documentation methods. A total of 17 construction and building sub-sector companies listed in the IDX 2018-2020 were selected to participate in the research as sample companies. But the generalization area consists of "objects/subjects that have certain qualities and characteristics set by researchers to be studied and then drawn conclusions" The population in this study is all construction and building subsector companies publicly traded on the Indonesia Stock Exchange (IDX). According to IDX, the number of businesses registered in 2018-2020 amounted to 48 issuers.

Measurement

In this study, the measurement used to measure variable bound or financial difficulties is to use the formula Altman Z Score with five ratios that are, First working capital divided by total assets, second retained income divided by total assets, third income before interest and taxes in total assets, fourth is the value of equity divided by the book value of debt and last is sales divided by total assets (Altman, 1968). As for variable, independent capital structures measured using the Debt to Equity Ratio shows how much debt the company uses (Salloum et al. (2014); Ikpesu and Eboiyehi (2018)). The current ratio is measured using the current asset formula divided by current debt (Kasmir, 2016; Salloum et al., 2014; Fredrick, 2019). As profitability, using proxy Return on equity with earning after tax divided by total equity (Kasmir, 2016; Salloum et al. (2014); Ikpesu and Eboiyehi (2018)). For variable moderation of the frequency of audit committee meetings is the number of audit committee meetings for one year (Davidson et al., 2005; Garcia et al., 2012; Ghosh et al., 2010; Yang and Krishnan, 2005).

Analytical Techniques

Purposive sampling techniques were used in this study in conjunction with the criteria specified in this study, namely the annual financial statements of construction and building sub-sector companies that have been audited, published, and reported on the Indonesian stock exchange for the period 2018-2020, and the criteria specified in this study, namely the annual financial statements of construction and building sub-sector companies that have been audited, published and reported on the Indonesian stock exchange for the period 2018-2020. The bound variable in the study was Financial Difficulties, which was measured in the study. In comparison, the independent variables in the survey include capital structure, Liquidity, a profitability, while moderation variables in this study are the number of audit committee meetings. The regression panel will be used to evaluate the information collected in this study and will be processed using the EViews version 11 program.

V. RESULT

Sample Description

Based on the results of the recapitulation of the data that the author did, the author can describe the company data in the sample conducted by the researcher as follows:

Table 1. Companies with Financial Difficulties

Company Name	Code	Status	Information
AcsetIndonusaTbk	ACST	Financial Distress	Private
Adhi KaryaTbk	ADHI	Financial Distress	BUMN
Cahaya Sakti InvestindoSuksesTbk	CSIS	Financial Distress	Private
Housing Development Tbk	PTPP	Financial Distress	BUMN
Superkrane Mitra Utama Tbk	SKRN	Financial Distress	Private
LancartamaSejatiTbk	TAMA	Financial Distress	Private
WaskitaKaryaTbk	WSKT	Financial Distress	BUMN

From the list of companies experiencing financial difficulties, there are four private companies and three state-owned enterprises where the company in a row in the last three years has experienced financial problem studies and in 2020 higher.

Table 2. Companies with Grey Area Conditions

Company Name	Code	Status	Information
Nusa KonstruksiEnjiniringTbk	DGIK	Grey Area	Private
Surya SemestaInternusaTbk	SSAI	Grey Area	Private
Wijaya KaryaTbk	WIKA	Grey Area	BUMN
Nusa Raya CiptaTbk	NRCA	Grey Area	Private
TotalindoBangunPersadaTbk	TOPS	Grey Area	Private
Indonesia PondasiRaya Tbk	IDPR	Grey Area	Private
Wijaya KaryaBangun Gedung Tbk	WEGE	Grey Area	BUMN

From the list of companies that experience Grey Area conditions, there are five private companies and two state-owned enterprises whose financial situation is flat or a grey area, so it is necessary to look in more detail considering the actual situation, whether it is stress or not.

Table 3. Companies with No Financial Difficulties

Company Name	Code	Status	Information
Paramita Bangun Sarana Tbk	PBSA	No Financial Distress	Private
Pelita Samudra Shipping Tbk	PSSI	No Financial Distress	Private
Total wake up PersadaTbk	TOTL	No Financial Distress	Private

From the list of companies that do not experience financial difficulties, there are three private companies.

Descriptive Statistics research

Descriptive statistics of this study include mean values, standard deviations, and extreme values (maximum values and minimum values). Here are the results of a descriptive analysis of 51 secondary data from 17 different companies for each variable in the period 2018 - 2020 in the study:

Table 4 Descriptive Analysis

	FD_Y_	DER_X1_	CR_X2_	ROE_X3_	CA_M_
Mean	2.041354	2.675984	0.587165	-0.137130	7.019608
Median	1.633495	1.289249	0.681612	0.037583	4.000000
Maximum	6.006669	35.46560	1.003830	0.328274	34.00000
Minimum	-0.506540	0.223529	0.078947	-4.135638	3.000000
Std. Dev.	1.304501	5.062577	0.247596	0.810780	5.386985
Skewness	0.749713	5.528265	-0.417176	-4.510424	2.799397
Kurtosis	3.403995	35.98596	1.973367	22.06430	13.48332
Jarque-Bera	5.124422	2571.931	3.719003	945.2489	300.1488
Probability	0.077134	0.000000	0.155750	0.000000	0.000000
Sum	104.1091	136.4752	29.94540	-6.993606	358.0000
Sum Sq. Dev.	85.08618	1281.484	3.065178	32.86823	1450.980
Observations	51	51	51	51	51

Source: EViews

Based on Table 4 shows that the highest DER (X1) value (35.46) was in PT AssetIndonusaTbk. (ACST) in 2019. The lowest DER (X1) value (0.22) was found in PT Paramita Bangun Sarana Tbk (PBSA) in 2018. With an average value showing 2.67, which means the average sample of companies has a very high DER/risk because the higher the value of a company's Capital Structure (DER), the higher the number of assets financed by debt, so it will affect the company's ability to pay off the debt.

Based on Table 4 shows that the highest CR (X2) value (1) there was Wijaya Karya Gedung (WEGE) in 2018 and the lowest CR (X2) value (0.08) was in PT LancarTamaSejatiTbk (TAMA) in 2019. The leverage liquidity value (CR) shows 0.58/58%, indicating that the average company in the study sample has the ability to pay short-term debt with current assets of 0.58% and can be categorized as a less good/healthy company because it is less than 2,0.

Based on Table 4 shows that the highest ROE (X3) value of 0.33 was in PT LancarTamaSejatiTbk (TAMA) in 2018, and the lowest ROE (X3) value - 4.14 was in PT AcsetIndonusaTbk. (ACST) in 2020. In addition, table 4 also shows that the average profitability (ROE) of -0.137 or -13.7% means that the average company suffers losses in utilizing existing equity in the company.

Furthermore, the highest CA (M) value (34) was in Adhi Karya (ADHI) in the period 2019 and the lowest CA (M) value (3) was in Wijaya Karya (WIKA) and WaskitaKarya (WSKT) in the period 2018 - 2020. The average number of audit committee meetings (M) of 7 which can be interpreted that the average company holds meetings or has an audit committee meeting agenda seven times a year.

The last FD (Y) value was highest (6) in Paramita Bangun Sarana (PBSA) in 2018, and the lowest FD (Y) value of -0.51 was in PT AcsetIndonusaTbk. (ACST) in 2020. At the same time, the average financial distress (FD) shows a value of 2.04 which means that the average company in this study goes into grey areas where the company's performance is still in poor condition.

Classic Assumption Test

Normality Test

The normality test on the study used Jarque-Berra, with a significant rate of 0.05 (5,991Averagemal distributed data has a Jarque-Berra value smaller than 5,991. While a substantial level (p-value) > the alpha level of 5%, then the information is distributed normally and vice versa if considerable level (p-value) < the alpha level of 5, % then it is not distributed normally. The normality test will be carried out into four mod. The first equation model is the panel data regression equation where the variables CapitalStructure(X1), Liquidity (X2),profitability (X3) affects financial distress (Y). While in the second, third, and fourth equation models are carried out moderated regression analysis(MRA) methods on each independent variable to determine the moderating effect of the variable number of audit committee meetings (M) on each of these independent variables on financial distress (Y).

Table 5. Normality Test

	Jarque-Berra	Prob	N
Model 1	8,11	0,017	51
Model 2	7,77	0,021	51
Model 3	2,32	0,312	51
Model 4	6,30	0,043	51

Source: Eviews

Based on the above output it is known that there are three equations (model 1, model 2 and model 4) that have jarque-bera values above 5,991 and p-values of less than 0.05, so it can be concluded that residual data on the model is not normally distributed. While in the equation, model 3 has a Jarque-Bera value below 5.991 and p-value above 0.05 so it can be concluded that residual data is distributed normally. However, according to Shieh,G (2010), the assumption of normality cannot be maintained when predictor and moderator variables are continuing variables. In this case, financial data is continuous data, so that It is possible to disregard the premise of normalcy.

Multicollinearity Test

Multicollinearity testing in this study used correlation matrix.If there is a correlation between one variable and a substantial strong variable (with a value greater than 0.8,) then multicollinearity is indicated(Gujarati, 2003). The criteria are as follows:First, the correlation coefficient value between variables < 0.,8 then free multicollinearities. Bothcorrelation coefficient values between variables > 0.,8 then multicollinearity occurs.

Table 6Multicollinearity Test

	FD_Y_	DER_X1_	CR_X2_	ROE_X3_	CA_M_
FD_Y_	1.000000	-0.450075	0.098998	0.372301	-0.100399
DER_X1_	-0.450075	1.000000	0.174603	-0.750115	0.023430
CR_X2_	0.098998	0.174603	1.000000	-0.149875	0.472948
ROE_X3_	0.372301	-0.750115	-0.149875	1.000000	0.068431
CA_M_	-0.100399	0.023430	0.472948	0.068431	1.000000

Source: EViews

Based on Table ,6it is known that all correlation coefficient values between free variables do not have values greater than 0.8. Thus, it can be concluded that there is no multicollinearity between variables.

Selection of Panel Data Regression Model

Three models are used for data standard thecommon effect model(pooled least square), fixed effect model, andthe random effectmodel. To determine the most appropriate model, each model is tested through the chow, Hausmann, and langrage tests (if no decision is found in both initial tests). Tests of this model will be performed on all four equations consisting ofpanel data regression equationsand moderated regression analysis (MRA) on each effect of moderation variables.

Chow Test (First Model)

The Chow test is used to choose whether to use a common effect model or a fixed-effect model. This test is done with a Chi-square statistical test with the following hypothesis: H0: The model follows the common effect model. H1: The model follows the fixed effect model. Provision: Reject H0 if the value is prob. Cross-section Chi-square < α ($\alpha = 5\%$).Based on the results of the chow-test above, it can be seen that the probability value of the Chi-square Cross-section is 0.0000, where the value is less than 0.05. Thus, H0 is rejected, and H1 is accepted. That is, the first model estimation approach follows the fixed effect model. In other words, the fixed-effect model is better than the common effect model.

Chow Test (Second Model)

In the second equation, there is a moderation variable (Number of Audit Committee Meetings) on the effect of liquidity variables on financial distress. Based on theSecond Model chow-testresults, it can be seen thatthe probability value of the Chi-square Cross-section is 0.0000, where the value is less than 0.05. Thus, H0 is rejected, and H1 is accepted. That is, the estimation approach of the second model follows the fixed effect model. In other words, the fixed-effect model is be standard the common effect model.

Chow Test (Third Model)

In the second equation, there is a moderation variable (Number of Audit Committee Meetings) on the effect of profitability variables on financial distress. Based on the results of the Third Chow-test,it can be seen that the probability value of the Chi-square Cross-section is 0.0000, where the value is less than 0.05. Thus, H0 is rejected, and H1 is accepted. That is, the third model estimation approach follows the fixed effect model. In other words, the fixed-effectmodel is standard than the common effect model.

Chow Test (Fourth Model)

In the second equation, there is a moderation variable (Number of Audit Committee Meetings) against financial distress based on the results of the fourthchow-test. It can be seen that the probability value of the Chi-square Cross-section is 0.0000, where the value is less than 0.05. Thus, H0 is rejected, and H1 is accepted. That is, the estimation approach of the third model follows the fixed effect model. In other words, thefixed-effect model isstandard than the common effect model.

Hausman Test (First Model)

The Hausman testis one to choose which model is better, whether using a fixed-effect modela random effect model. Based on the Hausman Test of the First model, the probability of a random cross-section is worth 0.0031

which means it has less significance than the level of trust ($\alpha = 5\%$). So, the decision taken on this Hausmann test that is H0 is rejected, and H1 accepted. In other words, the model follows the fixed effect model and does not need to do an advanced test (Lagrange Multiplier Test) on this model.

Hausman Test (Second Model)

Hausman's test results in the second model showed a probability of a random cross-section worth 0.0581 which means it has greater significance than the level of trust ($\alpha = 5\%$). So, the decision taken on this Hausmann test is H0 accepted and H1 rejected. In other words, the second model follows the random effect model. It can be concluded that the random effect model is better than the fixed effect model, so it is necessary to test Lagrange Multiplier on this model.

Hausman Test (Third Model)

Hausman's test results in the third model showed a random cross-section probability of 0.8642 which means it has less significance than the level of trust ($\alpha = 5\%$). So, the decision taken on this Hausmann test is H0 accepted and H1 rejected. In other words, the third model follows the random effect model. It can be concluded that the random effect model is better than the fixed-effect model, so it is necessary to test Lagrange Multiplier on this model.

Hausman Test (Fourth Model)

The Hausman test results in the fourth model showed a random cross-section probability of 0.656,3 which means it has less significance than the level of trust ($\alpha = 5\%$). So, the decision taken on this Hausman test is H0 accepted and H1 rejected. In other words, the fourth model follows the random effect model. It can be concluded that the random effect model is better than the fixed-effect model, so it is necessary to test Lagrange Multiplier on this model.

Lagrange Multiplier Test (Second Model)

The results of the Lagrange multiplier test on the second model of cross-section probability in Breusch-Pagan are worth 0.000, which means it has less significance than the level of trust ($\alpha = 5\%$). So that the decision taken on this Lagrange test is H0 rejected and H1 accepted. In other words, the first model follows the random effect model. It can be concluded that random effect model standard is better than common models.

Lagrange Multiplier Test (Third Model)

The results of the Lagrange multiplier test in the second model showed the probability of cross-section on Breusch-Pagan is worth 0.000, which means it has less significance than the level of trust ($\alpha = 5\%$). So that the decision taken on this Lagrange test is H0 rejected and H1 accepted. In other words, the first model follows the random effect model. It is possible to come to a conclusion that random effect standard is better than common models.

Lagrange Multiplier Test (Fourth Model)

The results of the Lagrange multiplier test in the second model showed the probability of cross-section on Breusch-Pagan is worth 0.000, which means it has less significance than the level of belief ($\alpha = 5\%$). So that the decision taken on this Lagrange test is H0 rejected and H1 accepted. In other words, the first model follows the random effect model. It can be concluded that random effect standard is better than common models.

Best Panel Data Regression Model

The results of the Test for the selection of a panel data regression model that has been conducted on each model can be summarized in the table below:

Table 18 Test Conclusions

Type	Test Name	Information	Result
Model 1	Chow-Test	CEM vs. FEM	Fixed Effect
	Hausman-Test	REM vs. FEM	Fixed Effect
Model 2	Chow-Test	CEM vs. FEM	Fixed Effect
	Hausman-Test	REM vs. FEM	Random Effect
	Lagrange Multiplier Test	CEM vs. REM	Random Effect
Model 3	Chow-Test	CEM vs. FEM	Fixed Effect
	Hausman-Test	REM vs. FEM	Random Effect
	Lagrange Multiplier Test	CEM vs. REM	Random Effect
Model 4	Chow-Test	CEM vs. FEM	Fixed Effect
	Hausman-Test	REM vs. FEM	Random Effect
	Lagrange Multiplier Test	CEM vs. REM	Random Effect

Source: Researcher Processed Data (2021)

From the results of the tests that have been done, it can be concluded that the best model for all equations except the first model is the random effect model. While on the first model or without moderators can fixed-effect model.

Panel Data Hypothesis Testing

Panel Data Regression Equation

After testing the best panel data for the first model, random effect was obtained. In the regression equation, impact first panel data on the effect of Capital Structure, liquidation, and profitability received financial distress is obtained in the Table.

Table 19 First Model: Regression Data Panel Influence of Capital Structure (X1), Liquidation (X2), Profitability (X3) to Financial distress (Y)

Variable	Coefficient	t-Statistic	Prob	Information
Constant	1,7	3,89	0	
DER (X1)	0,02	0,75	0,45	Insignificant
CR (X2)	0,58	0,78	0,44	Insignificant
ROE (X3)	0,37	2,2	0,04	Significant
R-Squared	0,92			
Adjusted R-Squared	0,87			
F-Statistic	19,07			
Prob (F-Statistic)	0,00			

Source: EViews

The equation of the first model is as follows.

$$Y = 1.70 + 0.02 X1 + 0.58 X2 + 0.37 X3$$

Where Y is Financial Distress, constants have a regression coefficient of 1.70, a beta regression coefficient of X1 of 0.02. The beta regression coefficient X2 is 0.58. The beta regression coefficient X3 is 0.37. In addition to the above output, an r-square value of 0.92 means that der, CR, and ROE variables represent 92% of the financially distress variable, of which the remaining 0.08 or 8% are represented by other variables not included in the study model. While the F-statistical value shows a value of 19.07 with a p-value of 0.00 (< 0.05), which proves that the variables DER, CR, and ROE can affect financial variables in the process simultaneously or together.

Moderated Regression Analysis

Because there is a variable in the number of audit committee meetings (M) as a mediator variable, it is necessary to analyze Moderated Regression Analysis. Because these variables moderate each independent variable (DER, CR, and ROE), there will be an increase in interaction variables (Hayes, 2018), namely M1, M2, and M3. Where M1 is the variable of the interaction of the number of audit committees with DER, M2 is the interaction of the number of audit committees with CR and M3 is the variable of the interaction of the number of audit committees with ROE. For regression equations, each is based on random effect models presented in Tables 20, 21, and 22.

Table 20 Second Model: Moderated Regression Analysis the Number of Audit Committee Meetings moderates the effect of Capital Structure (X1) on Financial Distress (Y)

Variable	Coefficient	t-Statistic	Prob	Information
Constant	1,99	3,20	0,00	
DER (X1)	- 0.03	0,05	0,96	Insignificant
CA (M)	0,02	0,19	0,84	Insignificant
DER x CA (M1)	-0.01	-0.24	0,81	Insignificant
R-Squared	0,03			
Adjusted R-Squared	-0,03			
F-Statistic	0,45			
Prob (F-Statistic)	0,72			

Source: EViews

The equation of the second model (MRA) is as follows:

$$Y = 1.99 + (-0.03)X1 + 0.02 M + (-0.01)M1$$

Where Y is Financial distress, constants have a regression coefficient of 1.99. Beta regression coefficient X1 of -0.03. The beta regression coefficient of M1 is 0.01. While the r-square value of 0.03 means that the DER and CA variables as moderators represent 3% of the financial distress variables, the remaining 97% or 97% are represented by other variables not included in the research model. At the same time, the F-statistical value shows a value of 0.45 with a p-value of 0.72 (> 0.05), which proves that DER and CA variables as moderators cannot influence financial variables in the process simultaneously or together.

Table 21 Third Model: Moderated Regression Analysis The number of Audit Committee Meetings moderates the effect of Liquidation (X2) on Financial distress (Y)

Variable	Coefficient	t-Statistic	Prob	Information
Constant	2,17	2,13	0,04	
CR (X2)	0,13	0,1	0,92	Insignificant
CA (M)	-0,14	-0,77	0,45	Insignificant
CR x CA (M2)	0,17	0,75	0,45	Insignificant
R-Squared	0,05			
Adjusted R-Squared	-0,01			
F-Statistic	0,88			
Prob (F-Statistic)	0,46			

Source: EViews.

The equation of the third model (MRA) is as follows:

$$Y = 2.17 + 0.13 X2 - 0.14 M + 0.17 M2$$

Where Y is in Financial distress, the constant has a regression coefficient of 2.17. The beta regression coefficient X2 is 0.13. The beta regression coefficient of M2 is 0.17. At the same time, the r-square value of 0.05 means that the CR and CA variables as moderators represent 5% of the financial distress variable, where the remaining 95% or 95% are represented by other variables not included in the study model. At the same time, the F-statistical value shows a value of 0.46 with a p-value of 0.46 (> 0.05), which proves that the CR and CA variables as moderators cannot influence financial variables in the process simultaneously or together.

Table 22 Fourth Model: Moderated Regression Analysis The number of Audit Committee Meetings moderates the effect of Profitability (X3) on Financial distress (Y)

Variable	Coefficient	t-Statistic	Prob	Information
Constant	2,07	0,37	5,57	
ROE (X3)	0,69	1,26	0,55	Insignificant
CA (M)	0	0,03	0,14	Insignificant
ROE x CA (M3)	-0,06	0,21	-0,26	Insignificant
R-Squared			0,14	
Adjusted R-Squared			0,09	
F-Statistic			2,58	
Prob (F-Statistic)			0,06	

Source: EViews

The equation of the fourth model (MRA) is as follows:

$$Y = 2.07 + 0.69 X3 + 0.00 M - 0.06 M3$$

Where Y is Financial distress, the constant has a regression coefficient of 2.07. The beta regression coefficient X3 is 0.69. The beta M regression coefficient of 0.00, the beta M3 regression coefficient of -0.06, setup to the r-square value of 0.14, which means that the ROE and CA variables as moderators represent 14% of the financial distress variable, of which the remaining 86% or 86% are represented by other variables not included in the study model. While the F-statistic value shows a value of 2.58 with a p-value of 0.06 (> 0.05), which proves that ROE and CA variables as moderators cannot influence financial variables simultaneously or together.

In hypothesis H1, Capital Structure positively affects financial distress. The results of hypothesis tests in table 19 showed that the regression coefficient of 0.02 with a t-stat of 0.75 (< 1.96) and a p-value of $0.45 > 0.05$ above alpha. This shows that the Capital Structure has a positive and insignificant effect on financial distress, so the first hypothesis (H1) is rejected and acceptable H0. Next on the H2 hypothesis, Liquidity negatively affects financial distress. The test results of the table 19 hypothesis showed that the CR regression coefficient of 0.58 with a t-stat of 0.78 (< 1.96) and a p-value of $0.44 > 0.05$ above alpha. This indicates that Liquidity has a positive and insignificant effect on financial distress. This means that the second hypothesis (H2) can be rejected and accepted by H0. On the H3 profitability hypothesis negatively affecting financial distress, the results of the table 19 hypothesis test showed that the ROE regression coefficient of 0.37 with a t-stat of 2.20 (> 1.96) and a p-value of $0.04 > 0.05$ below alpha. This shows the profitability has a positive and significant effect on financial distress. This means that the third hypothesis (H3) is acceptable, has a different influence than the original hypothesis, and rejects H0.

The H4 capital structure hypothesis, in addition, has a beneficial impact on financial hardship, with the frequency of audit committee sessions serving as a moderator. Result of hypothesis tests on the first MRA model in table 20 showed that the regression coefficient CA (M) of 0.02 with a t-stat of 0.19 (< 1.96) and a p-value of $0.84 > 0.05$ above alpha. Der and CA interaction variables also showed insignificant results where t-stat $-0.24 (< 1.96)$ and p-value of $0.81 > 0.05$. This indicates that the number of committee meetings applies only as a moderator homologized in the influence of capital structure on financial distress. This means that the fourth hypothesis (H4) is rejected and accepted by H0. Hypothesis H5 Liquidity negatively affects financial distress with the number of audit committee meetings as moderation. The results of the hypothesis test on the second MRA model, as shown in the table 21, revealed that it had a regression coefficient (M) of -0.14 , an at-stat of $-0.77 (1.96)$, and a p-value of $0.45 > 0.05$, with a regression coefficient (M) of -0.14 , an at-stat of $-0.77 (1.96)$, and a p-value of $0.45 > 0.05$. While the interaction variables CR and CA produced negligible findings (t-stat $0.75 (1.96)$ and p-value of 0.45), the continuous variables CR and CA produced insignificant results (t-stat $0.75 (1.96)$ and p-value 0.45). This indicates that the number of committee meetings applies only as a moderator homologized in the effect of Liquidity on financial distress. This means that the fifth hypothesis (H5) is rejected and accepted by H0. Mostly on the H6 hypothesis profitability negatively affects financial distress with the number of audit committee meetings as moderation, where on the results of hypothesis tests on the third MRA model as in table 22 which shows that the regression coefficient CA (M) of 0.00 with a t-stat of $0.14 (< 1.96)$ p-value above alpha $0.05 (0.89)$. The interaction variables of ROE and CA also showed insignificant results with a t-stat $-0.26 (< 1.96)$ and a p-value of $0.80 > 0.05$. This indicates that the number of committee meetings applies only as a moderator homologized in the influence profitability on financial distress. This means that the sixth hypothesis (H6) is rejected and accepted by H0.

Table 23. Hypothesis

Hypothesis	Information
Capital Structure positively affects financial distress	Rejected
Liquidity negatively affects financial distress	Rejected
Profitability negatively affects financial distress	Accepted
Capital Structure positively affects financially insured by the number of audit committee meetings as moderation	Rejected
Liquidity negatively affects financial distress with the number of audit committee meetings as moderation	Rejected
Profitability negatively affects financial distress with the number of audit committee meetings as moderation	Rejected

VI. DISCUSSION

Capital Structure Relationship with Financial Distress

Based on the test results, the Capital structure did not have a positive effect on financial distress. Capital Structure assessed through debt to equity (DER) does not affect financial distress. The results of this study do not match the research conducted by Balasubramanian et al. (2019); Yegon and Koske (2018); Kazemian et al. (2017); Hanifah and Purwanto (2013); Adiet et al. (2018); and Antikasari and Djuminah (2017), which stated that there is a positive influence of Capital Structure on financial distress. Insignificant structure capital variables are suspected because the debt-to-equity value of construction companies and buildings that experience financial distress der abnormal experienced a very unnatural increase above the sample average. This is supported by the results of descriptive statistical tests in table 4, which states

that the average DER value of construction and building companies is 2.67, which means the average sample of companies has a very high/risky DER because the higher the debt-to-equity value of a company, the higher the number of assets financed by debt, so it will affect the company's ability to pay off the debt.

This increase in DER is suspected due to the increased operating expenses of the company and the impact of Covid 19, which makes construction and build significant companies need large funding from debt. In addition, some construction and building companies are wrong strategies in responding to the condition of the covid 19 pandemics. Construction companies with large debts mean the burden borne is also more significant bigger, the risk of default is also greater so that the company will experience financial distress. Large companies more often use large amounts of debt in managing companies where the significant are also large. This research explains the structure of the capital of a company. The theory of capital structure describes the balancing between benefits and sacrifices arising from the use of debt. gifts in tax-saving benefits by adding to debt will cause companies financial difficulties. Therefore, any level of capital structure of construction and building companies cannot be used as a measure challenge financial difficulty in this study. Furthermore, this research is in line with research conducted by Dianova and Nahumurywho who stated that the Capital Structure ratio had no positive effect on financial distress.

Liquidity to Financial Distress

Based on the test results, it can be concluded that Liquidity does not negatively affect financial distress. Liquidity assessed through the current ratio does not affect financial distress. The results of this study do not fit with the agency theory, where the theory states that high Liquidity does not necessarily reduce financial distress, so this result is not in line with the study Balasubramanian et al. (2019); Ufo (2015); Kazemian et al. (2017); Khalid et al. (2020); Masdupiet et al. (2018); Alifiah (2014); Antikasari and Djuminah (2017); which explains that Liquidity negatively affects financial distress. Insignificant liquidity variables are suspected due to the magnitude of liquidity values below 1.00, supported by descriptive statistical test results in table 4, which states that the average Liquidity is 0.58, which means the company is in an illiquid state. From the average, there is no meaningful difference between the Liquidity of Construction and Building companies that experience financial conditions in the process and Construction and Building companies that do not experience financial distress.

The provision of a well-considered liquidity ratio is in the range of 2.00, meaning that every 1.00% the of current debt owed by the company is available 200% of current assets to cover it. So that current assets will better guarantee that the company can pay off its current obligations when maturity on time so that the financial potential of the process will be smaller. The type of business of construction and building companies in the planning services, services, and construction implementation. Therefore, current assets in this sector are dominated by the amount of inventory owned. In this case, the inventory is also used to pay off the current obligation. It takes a long time for the wheel to spin. it into cash. Therefore, any level of Liquidity of construction and building companies cannot be used as a measure to affect future financial difficulties. Furthermore, this research is in line with research conducted by Lakshan and Wijekoon (2012), Alifiah (2014); Savrina and Fitria (2015); Larasati and Wahyudin (2019), which states that the liquidity ratio does not affect financial predictions.

Profitability to Financial Distress

Based on the test results, it can be concluded the profitability has a positive effect on financial distress. Profitability assessed through the ratio of return on equity can affect financial distress's this research is in line with Balasubramanian et al. (2019); , Kazemian et al. (2017); Kholidahet et al. (2016); Masdupiet et al. (2018); Kuncoro and Agustina (2017); Alifiah (2014), who explained the profitability positively affects financial distress, the higher the company's profit will increase the financial value of distress so that the company is free from financial difficulties. Agency theory explains that there is a separation of interests between owner and agent in a company that can cause conflict. The agent who is the company's management knows all the company's conditions, while the owner does not know the full condition of the company. Profitability becomes one of the responsibilities of management in carrying out its duties. With this profitability ratio, the owner can also find out how things are in the company briefly.

A company with a high profit can be interpreted that the company's management is successful in managing its company so that the goals of both parties can be achieved and can minimize conflicts that occur in the company. The impact of management in providing increased corporate profits will allow the company to complete all short- and long-term obligations and avoid financial distress. Analysis of data from construction and building companies showed that all companies experienced a decrease profitability in 2020. This shows that the covid 19 pandemic had a very large impact on the decline profitability of construction and building companies.

The impact of the number of audit committee meetings on the auditing process as moderation of Capital Structure, Liquidity, Profitability to financially affected by

This study showed that the frequency of audit committee meetings could not moderate the effect of capital structure's positive influence on financial difficulties. This research shows that the high effect of debt on

financial distress does not depend on the effectiveness of the Audit Committee. This research is not in line with Haziro and Negoro's research (2019); Yanuar (2018), which explained that capital structure positively affects financial distress by being influenced by the moderation of the frequency of audit committee meetings. These results do not fit the agency theory that explains that debt is a means of management in reducing conflicts of interest between owners and managers of companies. In addition to reducing conflicts that occur, it can also be done by increasing management supervision. When the frequency of audit committee meetings is more effective, it shows that supervision in the company is also increasing. So that management decisions in policy-making against debt are getting better and will prevent companies from financial difficulty by taking the right policies. However, this is not evident in the results of this study, as the frequent or not frequency of audit committee meetings within the company will not affect the relationship between capital structure and financial difficulties. This can happen because the company's average frequency level of auditing committee meetings is still less effective. This can be seen in descriptive statistical tables that show that the average value of audit committee meetings' efficacy is subject to change. is still far from the maximum value of 7 times in 1 year. In comparison, these results are in line with Putra and Serly's research (2013); who stated that the frequency of audit committee meetings had no effect in moderating the capital structure against financial distress.

Furthermore, the frequency of audit committee meetings cannot moderate the effect of Liquidity on financial difficulties. This research shows that the high effect of Liquidity on financial distress is independent of the effectiveness of the Audit Committee. This research is not in line with Haziro and Negoro's research (2019); Yanuar (2018), which explains that Liquidity negatively affects financial distress by being influenced by the moderation of the frequency of audit committee meetings. This result does not fit with the agency theory that explains that Liquidity is one means of management in reducing conflicts of interest between owners and managers of companies. In addition to reducing conflicts that occur, it can also be done by increasing management supervision. As audit committees are more effective, it shows that oversight in companies is also increasing. So that management performance is getting better and will prevent the company from financial difficulty by taking the right policies. In carrying out one of its duties, namely supervision, the Audit Committee will improve the performance of the company's management so that management can increase the Liquidity of the company. This can prevent the company from financial difficulties. However, this is not evident in the results of this study, as the frequent or not frequency of audit committee meetings within the company will not affect the relationship between Liquidity and financial difficulties. This can happen because the company's average frequency level of auditing committee meetings is still less effective. This can be seen in descriptive statistical tables that show the average value of the audit committee meeting effectiveness variable is still far from the maximum value of 7 times in 1 year. While these results align with the results of Saputri and Asrori's research (2019), Larasati and Wahyudin (2019) who stated that the frequency of audit committee meetings had no effect in moderating the negative influence of Liquidity on financial distress.

The frequency of audit committee meetings rates the negative effect profitability on financial difficulties. This research shows that the high effect profitability on financial distress does not depend on the effectiveness of the Audit Committee. This research is not in line with Haziro and Negoro's research (2019); Yanuar (2018), which explains that profitability negatively affects financial distress by being influenced by moderating the frequency of audit committee meetings. Apart from the fact that audit committee meetings are more effective, these findings do not accord with the agency theory, which states that Liquidity is a tool for managing conflicts of interest between company owners and managers. Furthermore, when audit committee meetings are more effective, it demonstrates that overall supervision in the company is increasing. So that management's performance in generating profitability becomes better and will prevent them from financial difficulty by taking the right policies. However, this is not evident in the results of this study, as the frequent or not frequency of audit committee meetings within the company will not affect the relationship between profitability and financial difficulties. This can happen because the average frequency level of audit committee meetings in the company is still less effective, or audit committee meetings do not discuss the substance of policies that are important in the profitability decision of the company because it is the responsibility of management. While these results align with Rahmawati and Marsono's research (2014), he stated that the frequency of audit committee meetings had no effect in moderating profitability to financial distress.

This research is not in line with the agency's theory. If the high number of audit committee members meeting can accelerate management knowledge if the company is in poor health, it can take action before the occurrence of bankruptcy gets worse. The decline shows that the frequency of audit committee meetings does not affect financial distress. This explains that whatever the frequency of audit committee meetings in a company cannot avoid the company experiencing financial difficulties. The frequency of audit committee meetings is insignificant in predicting financial distress due to the absence of a meaningful difference between the frequency of audit committee meetings' financial distress and the frequency of audit committee meetings that do not experience financial distress. Other factors including the existence of other factors such as the competence

of the audit committee and the quality of the audit committee, as well as the pandemic conditions that hit the world and resulted in a decline in construction projects, did not affect financial distress.

VII. CONCLUSION

Based on the results of the data processing carried out, this study concludes that Capital Structure does not have a positive effect on financial stress on construction and building companies, taking into account that capital structure is not the only variable that can affect financial difficulties, other factors make the condition of the company forced to increase its debt, namely the crisis and unrest. While Liquidity does not negatively affect financial distress in construction and building companies, it also explains that the condition of the crisis and pandemic makes the company difficult Liquidity where all sectors are also affected systemically. Profitability negatively influences financial distress on construction companies, considering that construction companies must benefit to survive in the face of financial difficulties. In addition, the audit committee meeting frequency variable had no effect in moderating the three independent variables of Capital Structure, Liquidity, and Profitability to financially affected. This proves that the frequency of audit committee meetings is not a factor that influences management decisions in overcoming financial distress. This can be the result of global conditions related to the economic crisis due to the covid pandemic.

Suggestion

Based on the results of the conclusions in this study, construction companies must make the right policies in planning the company's strategy in the face of pandemic and crisis conditions so that construction companies can avoid financial difficulties. It is necessary for construction and building companies to create a scenario plan in case of changes in strategy and scenarios in times of crisis and pandemics. As an example, Wika, where management failed to anticipate the change strategy as a result of covid and the increasing pressure of government-sponsored infrastructure improvements and construction prioritization to implement infrastructure acceleration, resulting in financial difficulties despite the fact that the government will fully reimburse all losses or difficulties later on through taxes, is one example. Construction and building companies should pay attention to the increase in the value of capital structures (DER) because capital structures (DER) can reduce the financial condition of the construction company. It is also supported by the maximum utilization of debt in the addition of debt carried out so that the company gets the maximum profit from the debt. In addition, it is necessary to examine other variables and factors that can cause financial difficulties. While in the next, researchers add other variables such as DAR or ROA and research other companies besides construction and building in Indonesia.

Managerial Implications

Implication. Managerial for researchers is as a learning material related to the condition of covid to the financial difficulties of construction companies and buildings and the need for detailed research related to the loss of several state-owned construction companies and private companies. While. For construction companies, it is necessary to understand the pandemic phenomenon as a Grand Strategy in surviving in uncertain situations to the company's survival by implementing layered strategies so that the company's crisis and pandemic conditions can still survive.

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