www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)

Factors Affecting Financial Distress with Managerial Ownership as a Moderating Variable

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Abstract

This research examines the impact of leverage, liquidity, and sales growth on financial distress (FD) with managerial ownership as a moderating variable. A total of 138 consumer cyclicals companies registered on the Indonesia Stock Exchange (IDX) for 2020 – 2021 are included as a population in this study. Purposive sampling was utilized to choose 102 companies for this research. This analysis was performed using logistic regression and moderating regression analysis (MRA). The findings showed that leverage had an impact on FD, while liquidity and sales growth had no effect on FD. leverage, liquidity, and sales growth simultaneously affect FD. Managerial ownership not able moderates the impact of leverage, liquidity, and sales growth on FD.

Keywords
leverage; liquidity; sales growth; managerial ownership; financial distress

I. Introduction

Every company wants a good financial condition in order to attract investors or potential investors to invest in it. But in reality, not all companies can survive. Companies are also affected by a country's economic turmoil, and the Covid-19 pandemic is one example. Large-scale social restrictions (PSBB) harm some business actors (such as malls, transportation, tourism, hotels, etc.) and force companies to automatically apply efficiency to cut costs, resulting in many employees being laid off. This also has an impact on reducing purchasing power and public liquidity. Uncertainty about the future raises public awareness and reduces buying interest, causing the company to experience a decline in sales at a fixed cost, thereby hampering the company's cash flow. As a result, many companies experience financial distress.

The majority of issuers that have experienced losses in three consecutive years from 2019 to 2021 come from the consumer cyclicals sector, namely 33 issuers. Kanariyati (2021) explains that the Court officially declared bankruptcy status for PT Tozy Santosa on May 17. Rizki (2022) explained that PT Century Textile Industry Tbk lost as of December 31, 2021 USD 4.44 million. This position was supported by liabilities or debt of USD 50.51 million and equity was recorded at minus USD 12.08 million from the previous USD 7.36 million. PT Langgeng Makmur Industri Tbk experienced a net loss of up to IDR 41.33 billion in 2020 (Septiawan, 2021). PT Hotel Fitra International Tbk reported a net loss of IDR 6.8 billion in the first nine months of 2020. This swelling loss was triggered by a decrease in revenue. Equity was recorded at Rp 30.97 billion. On 30 September 2020, FITT experienced a deficit of IDR 17.82 billion (Prima, 2020).

Kristanti (2019) states that the phase of financial difficulty which is characterized by reduced profits or even negative gains is known as financial distress. In order for management to be able to carry out improvements to the company's finances, an analysis of financial difficulties is carried out in order to obtain an early warning of bankruptcy. A company's financial reports can be used to identify financial distress indicators. Stakeholder theory explains that companies must benefit stakeholders in addition to serving their own interests. According to this theory, managers are responsible for improving firm performance to avoid or reduce financial distress.

According to Darya (2019), the basic concept of leverage ratio accounting manifests how capable a company is in paying all debts by utilizing all assets or assets as collateral. When high leverage is not accompanied by company activities, it will increase the symptoms of bankruptcy or financial distress (Dwiyani & Purnomo, 2021). The results of Dwiantari & Artini's research (2021), Sugiharto et al. (2021), and Zulfa (2018) prove that leverage impacts financial affliction. Meanwhile the research findings of Mubarrok et al., (2020), Fawzuna & Asakdiyah (2020), and Kuntari & Machmuddah (2021), prove that leverage doesn't influence financial affliction.

Based on Kristanti (2019), liquidity ratios indicate how well a company can meet its short-term obligations. Dwiyani & Purnomo (2021) state that the likelihood of financial affliction increases when the current ratio is higher. Research findings by Dwiantari & Artini (2021), Dance & Made (2019), and Moch et al. (2019) shows that liquidity take an impact on financial affliction. Meanwhile, findings of Setiyoharini & Taufiqurahman (2022), Mubarrok et al. (2020) and Saputra (2019) find that liquidity is not associated with financial hardship.

According to Pranaditya et al. (2021), year-on-year increases in sales are called sales growth. The profits obtained are usually followed by sales growth so that if sales increase it will increase the company's cash flow, improve the company's financial condition, and be able to avoid financial distress (Kartika, 2018). Research findings by Sugiharto et al. (2021), Rachmawati & Retnani (2020), and Kartika (2018) show that sales growth play a role in financial difficulties. Meanwhile, research findings by Prasetya & Oktavianna (2021), Susilowati et al. (2020) and Giarto & Fachrurrozie (2020) show that revenue growth doesn't impact financial difficulties.

Salsabilla & Triyanto (2020) explain that share ownership held by company managers or management is called managerial possession. This variable is designated as a moderating variable because it is expected that high managerial ownership will reduce the potential for financial distress. Andiani et al's research results. (2022), and Octaviani & Ratnawati (2021) pointed out that managerial possession can moderate the influence of leverage on funding difficulties. While the study findings of Prayogi et al. (2022), and Lausiri & Nahda (2022) show that managerial possession doesn't moderate the impact of leverage on funding difficulties. The research results of Octaviani & Ratnawati (2021), and Lausiri & Nahda (2022) found that managerial ownership cannot moderate the effect of liquidity on financial difficulties. Research findings by Giarto & Fachrurrozie (2020) show that managerial ownership can moderate the impact of sales growth on financial difficulties, while a study conducted by Komala & Triyani (2019) proves that managerial ownership cannot moderate the impact of revenue growth on financial difficulties.

The descriptions, phenomena, and study gaps above are the background to the research entitled: "Factors Influencing Financial Distress and Managerial Ownership as Moderating Variables (Empirical Study of Consumer Cyclicals Companies Listed on the Indonesia Stock Exchange for the 2020-2021 Period)".

II. Review of Literature

2.1 Stakeholder Theory

The theoretics describes that companies must provide benefits to stakeholders, not just be entities that only carry out the success of their entity's interests without regard to stakeholders. The major goal of the stakeholder theory is to help the management of the corps to increase the value generated by the activities carried out and to minimize the losses that the stakeholders may suffer (Puspitaningtyas, 2020). Freeman (1984) in Wardhani & Suhdi (2020) explains that a company is an organization that deals with other interested parties, both inside and outside the company. This theory assumes that the existence of a company is determined by stakeholders. The assumptions include:

1. There are a number of constituency groups (stakeholders) through which the corporation makes decisions that are both influenced and impacted.
2. Firms and stakeholder relationships are examined in terms of processes and outcomes in the theory.
3. Stakeholder interests are intrinsically valuable, and therefore the interests of one group are assumed to dominate the interests of the others.
4. Management decision-making is the focus of the theory.

2.2 Agency Theory

Jensen & Meckling (1976) argue that the theory of agency is an idea that describe the relation among principals and agents. Conflicts that occur in agency theory are caused by information asymmetry (Trisnawati, 2021). The use of high debt increases the risk of company bankruptcy, the risk of non-diversification of bankruptcy managers, and the action of "risk-shifting", namely the tendency to choose investments that are riskier for higher returns so that they can pay off debt according to the rate and enjoy excess profits. If the investment fails, the biggest risk is borne by the creditor. Companies with a high rate of managerial possession lead to a low equity agency cost but produce a high agency cost of debt because with managerial ownership the interests of managers will be closer to the interests of shareholders than those of creditors (Sutrisna et al., 2019).

2.3 Trade-off Theory

Myers (2001) in Syarifudin (2021) reveals that the use of debt has certain limitations so that it cannot be used as much as possible due to the consequences of debt burdens. This theory assumes that companies have optimal debt levels, so the substance of the leverage trade-off theory is to proportion the sacrifices and benefits of using debt. As long as debt still provides greater benefits, additional debt is still allowed. However, if the cost of debt is greater, then the increase in debt must be stopped. Although this model cannot clearly and clearly determine the optimal capital structure, it does make important contributions, namely:

a. Asset-rich companies should take on less debt.
b. Companies that have higher tax rates should rely more on borrowing than companies that have lower tax rates.

2.4 Financial Distress

According to Kristanti (2019), financial distress (FD) is a stage of financial hardship which is marked by decreased profits (and even negative profits). Hutabarat (2021) explains that financial distress is a period of deteriorating funding circumstances that appear previous to bankruptcy ensues. According to Kristanti (2019), financial difficulties can be triggered by external and internal factors. Internal factors consist of human resources, product, pricing, technology, marketing failure, and distribution. External factors consist of social culture, macroeconomic conditions, technology, legal, and natural disasters. So, financial distress is the beginning before bankruptcy. Andriani & Sulistyowati (2021) explained that a negative EPS imply that the corps is in serious financial difficulty. This ratio is measured by the percentage of net revenue to the total outstanding shares. The better the corps' financial condition, the higher the cost of this rate.

2.5 Leverage

Kasmir (2021) explains that the leverage ratio or solvability ratio shows how much debt a corps has compared to its assets. As Fahmi (2020) explained It will be dangerous for the enterprise to use excessive debt. In this case, the enterprise is trapped in a high-grade of indebtedness because it falls to the extreme leverage group. By utilizing the debt-to-asset ratio, the leverage ratio can be calculated. Pranaditya et al. (2021) explains that high debt levels in the capital structure increase the company's risk, so interest charges will be higher.

2.6 Liquidity

According to Kristanti (2019), liquidity ratios indicate how well an enterprise can meet its short-term obligations. The definition of a liquid company is one that can generate high profits by utilizing its current assets. Sufyati & Anlia (2021) explains that low liquidity is a sign that a company is on the verge of bankruptcy. High liquidity is a sign that a company has good performance in carrying out its operational activities. This can attract investors to invest.

2.7 Sales Growth

According to Pranaditya et al. (2021), the growth of sales from one year to the next is known as sales growth. By this ratio, a company can demonstrate its ability to remain economically competitive despite economic growth in its industry and business sectors (Kasmir, 2021). It is vital to a company's survival that it grows its sales. Stable or high sales growth can have a positive effect on company profits. This is why it becomes a management consideration in determining the capital structure because the company has a low risk in using loans with its ability to bear the interest expense on loans.

2.8 Managerial Ownership

According to Salsabilla & Triyanto (2020), share ownership held by company managers or management is called managerial ownership. High managerial ownership is expected to trigger management to act and determine company policies more carefully, because they will directly receive the consequences of each policy they take. Management will try to optimize the company's performance because the managerial party is also responsible for share ownership.

2.9 Conceptual Framework

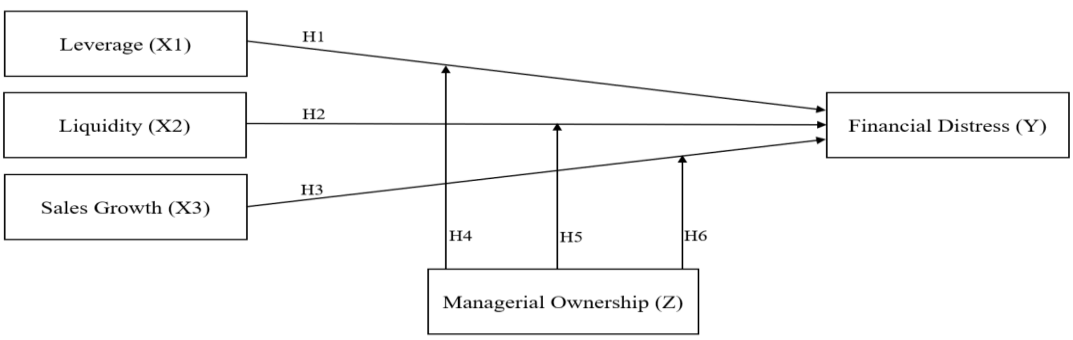

Figure 1. *Conceptual Framework*

2.10 Research Hypothesis

H1: Leverage has an influence on FD
H2: Liquidity has an influence on FD
H3: Sales Growth has an influence on FD
H4: Managerial Ownership moderates the impact of Leverage on FD
H5: It is suspected that Managerial Ownership moderates the influence of Liquidity on FD
H6: Managerial Ownership moderates the influence of Sales Growth on FD

III. Research Method

Studies are based on secondary data. A total of 138 consumer cyclicals companies registered on IDX for 2020 – 2021 are included as a population in this study. This study used purposive sampling to obtain its sample. This study sets the following standards for the samples:

Table 1. Research Sample Selection Process

Description	Number of Corporate
Consumer cyclicals companies registered on the IDX for the 2020-2021 period	138
IDX unregistered/delisting corporates in 2020 to 2021	(8)
Companies whose financial statements cannot be found for the 2020-2021 period either on the idx website or the company website	(16)
Companies do not issue financial reports in rupiah	(12)
Total of samples	102
Observation time (year)	2
Number of analysis units	204

Source: Processed data, 2022

Table 2. Variable Operational Definitions

Variable	Indicator	Scala
Dependent Variable (Y)		
Financial Distress Andriani (2021)	$EPS = \frac{\text{Net profit}}{\text{Total Outstanding Shares}}$ 0 = Non Financial Distress (EPS $\geq$ 0 current year) 1 = Financial Distress (EPS < 0 current year)	Nominal
Independent Variable (X)		
Leverage Rachmawati & Retnani (2020)	$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}}$	Ratio
Liquidity Kuntari & Machmuddah (2021)	$CR = \frac{\text{Current assets}}{\text{Current Liabilities}}$	Ratio
Sales Growth Rachmawati & Retnani (2020)	$CR = \frac{\text{Sales of the Year} - \text{Sales of the Last Year}}{\text{Sales of the Last Year}}$	Ratio
Moderating Variable (Z)		
Managerial Ownership Rachmawati & Retnani (2020)	$KM = \frac{\text{Number of Shares owned by Management}}{\text{Total Outstanding Shares}}$	Ratio

Data analysis was performed using the SPSS V29 software program including descriptive statistical examination, feasibility test model, overall model test, coefficient of determination, classification predictive accuracy, logistic regression analysis, and moderated regression analysis.

IV. Results and Discussion

4.1 Results

a. Descriptive Statistical Analysis

Table 3. Financial Distress

Year	Financial distress		Non Financial distress	
2020	68	66,7%	34	33,3%
2021	54	52,9%	48	47,0%

Source: Results of data processing using SPSS V29, 2022

From table 3, 68 companies (66.7%) are facing financial distress in 2020, while 34 companies (33.3%) are not facing financial distress. In 2021, 54 companies (52.9%) are facing financial distress and 48 companies (47.0%) are not facing financial distress.

Table 4. Descriptive Statistics

Variable	Minimum	Maximum	Mean
Financial Distress	0,0000	1,0000	0,5980
Leverage	0,0014	75,9400	1,6772
Liquidity	0,0054	140,2500	4,5419
Sales Growth	-0,9852	8,5700	0,0244
Managerial Ownership	0,0000	0,7700	0,0626

Source: Results of data processing using SPSS V29, 2022

Table 4 shows the statistical description table it is known that 204 observations were collected in this study. The average value of leverage was 1.6772. The highest leverage value of 75.94 was owned by PT Globe Kita Terang Tbk in 2020. The smallest leverage value of 0.001 was owned by PT Surya Permata Andalan Tbk in 2020. The average liquidity value was obtained 4.5419. The maximal score of 140.25 is found in PT Surya Permata Andalan Tbk in 2020. The minimal score is 0.005 found in PT Planet Properindo Jaya Tbk in 2020. The average value of sales growth is 0.0244. The maximum Sales Growth value of 8.57 is owned by PT Anugerah Kagum Karya Utama Tbk in 2020. The minimum Sales Growth score of -0.99 is found in PT Anugerah Kagum Karya Utama Tbk in 2021. The average managerial ownership value is obtained 0, 0626. The maximum managerial ownership score of 0.77 is found in PT Boston Furniture Industries Tbk in 2020, whereas the minimal managerial ownership score is 0.00.

b. Logistic Regression Analysis

1. Model Feasibility Test

Table 5. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	12,639	8	0,125

Source: Results of data processing using SPSS V29, 2022

According to table 5, the regression model is feasible with a probability of 0.125 > 0.05, then H0 is accepted, meaning that observed values can be predicted by the model.

2. Overall Model Test

Table 6. Overall Model Fit

Iteration	*-2 Log Likelihood*
Step 0	274,910
Step 1	241,032

Source: Results of data processing using SPSS V29, 2022

Table 6 shows that the -2 Log Likelihood value has decreased from step 0 (274.910) to step 1 (241.032). As a result, we can see that the logistic regression model performs better.

3. Coefficient of Determination

Table 7. Coefficient of Determination

-2 Log Likelihood	*Cox & Snell R Square*	*Nagelkerke R Square*
241,032	0,153	0,207

Source: Results of data processing using SPSS V29, 2022

According to table 7, the Nagelkerke R Square score of 0.207*100% = 20.70%, so that the influence of Liquidity, Sales Growth and Leverage on FD with Managerial Ownership as a moderating variable is 20.70% while other variables explain 79.30 % of the remaining data.

4. Classification Predictive Accuracy

Table 8. Classification Predictive

Observed		Financial Distress		Percentage Correct
		0,00	1,00	
Financial Distress	**0,00**	37	45	45,1
	1,00	28	94	77,0
Overall Percentage				64,2

Source: Results of data processing using SPSS V29, 2022

The samples that didn't have financial difficulties were 37 enterprise and those that should not have experienced financial distress were 45 companies, so that the correct classification was 45.1%. There were 94 companies that actually experienced financial distress and 28 companies that should have experienced financial distress but were not affected by financial distress, so that the correct classification was 77.0%. The overall percentage value is 64.2%.

c. Hypothesis Testing

1. Logistic Regression

Table 9. Logistic t Test

Model		B	Sig.
X1	*Leverage*	2,636	<0,001
X2	Likuiditas	0,004	0,657
X3	*Sales Growth*	-0,134	0,409
	Constant	-0,790	0,021

Source: Results of data processing using SPSS V29, 2022

Table 9 shows that the regression model in this research is:

$$P(FD)/(1-FD) = -0{,}790 + 2{,}636\ LEV + 0{,}004\ LIK - 0{,}134\ SG + \varepsilon$$

The results of the interpretation of the proposed research hypotheses (H1, H2, H3) can be seen as follows:

a. Hypothesis Testing 1 (H1)
   B value of 2.560 is obtained and a substantial value for the Leverage variable is <0.001. This value is below $\alpha = 0.05$ so that H1 is accepted. That is, leverage tends to have a significant positive effect on FD.
b. Hypothesis Testing 2 (H2)
   B value of 0.004 is obtained and a substantial score for the Liquidity variable is 0.657. The above score is $\alpha = 0.05$ so that H2 is rejected. That is, Liquidity has no effect on FD.
c. Hypothesis Testing 3 (H3)
   B value of -0.134 is obtained and a substantial score for the Sales Growth variable is 0.409. The above score is $\alpha = 0.05$, so H3 is rejected. That is, Sales Growth has no effect on FD.

Table 10. Logistic F Test

Chi-square	Df	Sig.
25,717	3	<0,001

Source: Results of data processing using SPSS V29, 2022

Simultaneous testing in Logistics regression shows a substantial value of <0.001 <0.05. Leverage, liquidity, and sales growth simultaneously affect the probability of a company

2. MRA

Table 11. MRA t Test

Model	B	Sig.
Leverage	2,515	0,001
Liquidity	-0,003	0,792
Sales Growth	-0,072	0,650
Managerial Ownership	-3,622	0,313
Leverage * Managerial Ownership	8,684	0,276
Liquidity * Managerial Ownership	0,998	0,108
Sales Growth * Managerial Ownership	-4,657	0,154
Constant	-0,845	0,028

Source: Results of data processing using SPSS V29, 2022

Table 11 shows that the MRA model in this study is as follows:

$$FD = -0{,}845 + 2{,}515\ LEV - 0{,}003\ LIK - 0{,}072\ SG - 3{,}622\ KM + 8{,}684\ LEV*KM + 0{,}998\ LIK*KM - 4{,}657\ SG*KM + \varepsilon$$

The results of the interpretation of the proposed research hypotheses (H4, H5, H6) can be seen as follows:

a. Testing Hypothesis 4 (H4)
Based on table 4.9, the B value is 8.684 and the significant value of Leverage*Managerial Ownership is 0.276. The above value is α = 0.05, so H4 is rejected. In terms of FD, Managerial Ownership cannot moderate the effect of leverage.
b. Testing Hypothesis 5 (H5)
Based on table 4.9, the B value is 0.998 and the significant value of Liquidity*Managerial Ownership is 0.108. The above value is α = 0.05, so H5 is rejected. That is, Managerial Ownership cannot moderate the effect of Liquidity on FD.
c. Testing Hypothesis 6 (H6)
Based on table 4.9, the B value is -4.657 and the significant value of Managerial Ownership Sales Growth* is 0.154. The above value is α = 0.05, so H5 is rejected. Managerial Ownership cannot moderate the effect of Sales Growth on FD.

Table 12. MRA F Test

Chi-square	Df	Sig.
33,877	7	<0,001

Source: Results of data processing using SPSS V29, 2022

Simultaneous testing in MRA shows a substantial score of <0.001 <0.05. leverage, liquidity, sales growth, and managerial ownership as moderating variables simultaneously influence the potency of a company experiencing FD at the 5% level.

4.2 Discussion

a. Effect of Leverage on FD

Leverage has a positive impact on FD. The possibility of FD will be higher in line with the increase in debt. According to the tradeoff theory, if a company finance using too much debt, then there will be a risk of loss because the company becomes incapable in the future to service its debts, resulting in liquidity. Companies will find it difficult to pay debts and interest if these debts are not balanced with increased income. The research findings are compatible with the findings of Dwiantari & Artini (2021), Sugiharto et al. (2021), and Zulfa (2018), who found that leverage has an impact on FD.

b. Effect of Liquidity on FD

Liquidity has no impact on FD. The tradeoff theory shows the impact of liquidity on FD. The ability to pay off debt must be balanced with high activity. If sufficient collateral is provided, then financial distress can be avoided. However, in this paper, the current ratio is used to quantify liquidity, while converting inventory and accounts receivable into cash takes time. Companies cannot pay off their short-term obligations through the utilization of their current assets if inventories accumulate or receivables become uncollectible. Research findings by Setiyoharini & Taufiqurahman (2022), Mubarrok et al. (2020), and Saputra (2019) also prove that liquidity has no impact on FD.

c. Effect of Sales Growth on FD

Sales growth has no impact on FD. The cost of goods sold or operating costs can increase along with sales growth, resulting in low profits and the company cannot avoid financial difficulties. In addition, a decrease in sales also indirectly indicates that the company will be faced with financial distress, but will only result in a reduction in profits in that period. According to agency theory, management can carry out earnings management. Therefore, the profits and sales listed in the company's financial reports do not always reflect the actual state of the business. In the statistical description, PT Anugerah Kagum Karya Utama Tbk has the largest sales growth value in 2020, but the biggest sales decline also occurred in 2021. This shows the extreme variability of research data. The study findings are similar to the research of Prasetya & Oktavianna (2021), Susilowati et al. (2020) and Giarto & Fachrurrozie (2020), which proves that sales growth has no impact on FD.

d. Effect of Leverage on Financial Distress moderated by Managerial Ownership

Managerial ownership does not strengthen or weaken the impact of leverage on FD. It is not the size of the shares owned by management that determines the company's financial health, but rather the management's ability to manage the company. Utilization of debt that is less effective and efficient increases FD, this is evidenced by the average DAR value of 1.67, meaning that the company's burden in paying its debts is 167% of the company's total assets. The level of managerial ownership that is too small results in managers not being able to manage assets in an effective and efficient manner in generating profits. The research findings are similar with the study of Prayogi et al. (2022), and Lausiri & Nahda (2022) which prove that managerial ownership cannot be a moderating variable related to the influence of leverage on FD.

e. Effect of Liquidity on Financial Distress moderated by Managerial Ownership

Managerial ownership does not strengthen or weaken the impact of liquidity on FD. This finding is due to the fact that the sample companies have relatively large current asset values that are able to cover current liabilities. Descriptive statistics show that the average liquidity is 4.5, proving that the current asset value of the company is much higher than the value of its current liabilities. It is not the size of the shares owned by management that determines the company's financial health, but rather the management's ability to manage the company. In addition, too small a level of managerial ownership results in managers not being able to fully maximize current assets to fulfill their short-term obligations. The study findings are consistent with the findings of Octaviani & Ratnawati (2021), and (Lausiri & Nahda, 2022) who found that managerial ownership cannot be a moderating variable for the impact of liquidity on FD.

f. Effect of Sales Growth on Financial Distress moderated by Managerial Ownership

Managerial ownership does not strengthen or weaken the impact of sales growth on FD. This study found that it is not the size of the shares owned by management that determines the financial health of a company, but rather management's ability to manage the company. The company's income may not be optimal and even decrease is the result of bad management so that the company experiences financial difficulties. Too small a level of managerial ownership also results in company managers not being fully efficient and effective in managing assets, causing sales fluctuations. The study findings are consistent with the findings of Komala & Triyani (2019) which prove that managerial ownership cannot moderate the impact of sales growth on FD.

V. Conclusion

This study came to the following conclusions:

1. Leverage has a positive impact on FD. This finding found that the possibility of FD increases with increasing leverage.
2. Liquidity does not affect financial distress. High liquidity must be balanced with high activity.
3. Sales growth does not affect FD. Sales growth must be balanced with profitability and good cash flow.

4. Managerial Ownership cannot moderate the impact of leverage on FD. Management's ability to manage the business is more important in determining the financial health of a company.
5. Managerial Ownership cannot moderate the impact of liquidity on FD. Management's ability to manage the business is more important in determining the financial health of a company.
6. Managerial Ownership cannot moderate the effect of sales growth on FD. Management's ability to manage the business is more important in determining the financial health of a company.

Researchers offer the following recommendations:

1. Subsequent researchers can include other variables, for example company size, intellectual capital, and capital intensity ratios, examine the validity of the research results by calculating leverage indicators (such as the Debt-to-Equity Ratio), liquidity (such as the Quick Ratio), and FD (such as negative earnings per share for at least two years).
2. Management can pay more attention to the company's debt policy and leverage levels as an early warning for corrective action to reduce the possibility of FD.
3. Investors can pay more attention to the company's leverage level as a consideration so as not to be detrimental if the company is unable to meet its debts.

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