The Effect of the Audit Committee, Profitability, Operating Cash Flow, and Inflation on Financial Distress

(Empirical Study On Listed Property And Real Estate Companies on the Indonesia Stock Exchange 2012–2018)

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Abstract - *This study is aimed to determine the effect of the audit committee, profitability, operating cash flow and inflation on financial distress in property and real estate companies listed on the Indonesia Stock Exchange from 2012 to 2018.The method of analysis in this study used logistic regression analysis with SPSS 26. The population of this study were property and real estate companies listed on the Indonesia Stock Exchange from 2012 to 2018. The sample was determined by purposive sampling method, with a total sample of 21 companies so that the total observations in this study were 147 observations. The results shows that the audit committee variable has significant positive effect on financial distress. Meanwhile, the variables of profitability and operating cash flow have significant negatif effect on financial distress and the inflation variable has no effect on financial distress. Then, the audit committee variables, profitability, operating cash flow and inflation simultaneously (simultaneously)*

Keywords: *Audit Committee, Profitability, Operating Cash Flow, Inflation and Financial distress*

I. INTRODUCTION

Economic development in the world is increasingly fast causing competition between companies to become increasingly competitive. This is due to the absence of regional boundaries in the economic sector and any country is easy to enter and exit to conduct market competition. In this era of globalization, companies are required to increasingly compete by showing their various advantages to dominate the world market because free trade makes companies not only compete in the domestic sphere but also compete with foreign companies. With this free market, companies are competing to improve their competitiveness for the better. If the company is unable to compete, the company will experience losses, which in turn will result in the company experiencing financial distress.

In the development of globalization, economic growth in the property and real estate sector in Indonesia is still unstable. As reported on the Kontan.co.id portal (12/08/2018) that during the year to date, stocks in the property and real estate sectors have recorded a significant decline. Based on data on the Indonesia Stock Exchange (IDX), stock indexes in the property, real estate and construction sectors decreased by 7.84%. In addition, the houseingestate.id portal (03/07/2019) states that the property and real estate sector in 2014-2019 is still experiencing a decline. This is because there are many buildings that have been completed but have not been absorbed by the market. In addition, the marble and natural stone industry also felt the slowdown in growth in the property and real estate sectors, one of which was PT Fajar Gelora Inti, with the trademark Fragetti, which experienced a 30% decline. (liputan6.com, 21/08/2019). Based on data from the Central Statistics Agency (BPS), it shows that the growth of Gross Domestic Product (GDP) originating from the property and real estate sectors has continued to decline from 2015-2018. In 2012 this sector was able to contribute 7.14% of GDP. Since 2013 the figure began to fall to 6.54%, in 2014 it was 5.00%, in 2015 it was 4.11%. However, in 2016 it increased by 4.69% and in 2017 and 2018 it decreased again to 3.60% and 3.48%. This can be an indication that it is possible that companies entering the property and real estate sector are experiencing financial distress.

Another phenomenon related to financial distress is the existence of 3 (three) property and real estate sector companies on the Indonesia Stock Exchange (IDX) that had to be delisted in 2012, 2013 and 2017. Delisting is the delisting of issuers' shares from the stock exchange. The company that experienced delisting in this sector, PT Suryainti Permata Tbk (SIIP), was delisted because it was unable to pay its debt and interest and failed to pay bond interest. PT Panca Wirasakti Tbk (PWSI), was delisted because the Commercial Court decided that PT Panca Wirasakti Tbk was going bankrupt. Finally, PT Lamicitra Nusantara Tbk (LAMI), was delisted because the issuer's trading volume or share transactions were relatively small and insignificant as long as they were traded on the IDX.

Based on this phenomenon, it can be seen that the growth of the property and real estate sectors can have an impact on various financial and macroeconomic sectors. If the condition of the property and real estate sector is experiencing a continuous decline, it is feared that the property and real estate market will experience large losses which in turn will cause the company to experience financial distress.

Financial distress is a stage of decline in financial condition experienced by a company, which occurs before bankruptcy or liquidation. The condition of financial difficulties, among others, was indicated by the occurrence of negative profits which the company experienced in succession. As a result, the company does not have sufficient sources of funds to meet the obligations that must be fulfilled immediately (the company went bankrupt), Plat and Plat (2002, in Prasetyo, 2019).

According to Rahmy (2015: 5), there are several factors that cause the company to experience financial difficulties, namely internal and external factors. Internal factors that affect financial distress are cash flow difficulties, the amount of debt, and losses in the company's operational activities. Cash flow difficulties occur when the company's revenue receipts do not cover the costs incurred by the company. In addition, the large amount of debt that the company is unable to pay off will result in the confiscation of the company's assets to cover the underpayment of the bill. Losses in the company's operational activities also occur due to operating expenses that are greater than the revenue received by the company. Meanwhile, external factors that affect financial distress are more macroeconomic in nature and can have a direct or indirect effect, in this study represented by inflation.

The company's inability to overcome financial difficulties is due to poor corporate governance, for example inappropriate decisions and a lack of management efforts to monitor financial conditions (Susendi, 2018: 2). Facing the company's financial difficulties, the audit committee has an important role in creating a good corporate governance. The audit committee plays a role in monitoring the company's operations and as an internal control system to protect the interests of shareholders. The audit committee provides strategic contributions and recommendations to the board of directors with regard to financial and operational matters.

According to Prasetyo (2014) in Masak and Noviyanti (2019: 238) that a competent audit committee is able to carry out its duties and functions, especially in monitoring the quality of financial statements effectively if supported by the fulfillment of the characteristics of the audit committee.

Research conducted by Masak and Noviyanti (2019) examined the effect of audit committee characteristics on financial distress in property and real estate companies on the IDX in 2017. The results showed that the size of the audit committee had a negative effect on the prediction of financial distress, this shows that the size of the committee The audit is considered able to minimize the occurrence of financial distress. The research by Damayanti, et al (2017) examines the analysis of the effect of financial performance, audit committee size and managerial ownership on the prediction of financial distress in manufacturing companies listed on the IDX in 2011 - 2015. The results of this study are different from research conducted by Masak and Noviyanti (2019). , which indicates that the size of the audit committee has no negative and significant effect on financial distress. Based on the differences in the results of research conducted by previous researchers, this study uses the audit committee variable to prove how the size of the audit committee actually affects financial distress in a company.

In addition to the establishment of an audit committee, it is important to overcome financial difficulties, namely by using financial ratio analysis. In general, ratios such as profitability and operating cash flow serve as significant indicators in overcoming financial difficulties in the company.

The first indicator is profitability. Profitability can be used to predict financial distress conditions. According to Murhadi (2015) in Christine's research (2019: 341), the profitability ratio is a ratio that describes the company's ability to generate profits. This profit ratio is generally taken from the income statement. In other words, the ratio also shows management effectiveness. According to Yustika (2015: 341) in Christine's research (2019). If the profitability of a company continues to decline and even amounts to negative, the possibility of the company going bankrupt will be even greater. This ratio is reflected in the Return on Assets (ROA) (net income divided by total assets).

Kurniasanti and Musdholifah (2018) state that profitability has a negative effect on financial distress, which means that the smaller the profit the company gets, the greater a company experiences financial distress. Meanwhile, according to research by Sulistyowati, et al (2019), it shows that profitability has a positive effect on prediction of financial distress. However, it is different from the research conducted by Sari, et al (2019) that profitability has no effect on financial distress. Based on the differences in the results of research conducted by previous researchers, this study uses the profitability ratio variable to prove how the profitability ratio actually affects financial distress.

The next indicator of financial performance is operating cash flow. The cash flow statement can reflect the company's net income related to firm value so that if cash flow increases, the company's profit will increase and this will increase the company's value and will also increase the company's profit, Srengga (2012, in Nukmaningtyas and Worokinasih, 2018) . According to Tutliha and Rahayu (2019), operating cash flow information is an indicator for creditors to determine the company's financial condition. If the company has a good amount of cash flow, creditors will have confidence that the company is capable of performing its obligations and the company will avoid financial distress.

Research conducted by Annisa and Khairunnisa (2019) states that operating cash flow has a positive and significant effect on financial distress. This means that the smaller the operating cash flow value, the greater the company experiencing financial distress. Another opinion was expressed by Sudaryanti and Dinar (2019) which stated that operating cash flow had no effect on financial distress conditions. This is supported by research conducted by Febryan and Prasetyo (2019) which states that operating cash flow has no significant effect on financial distress in a company. Based on the differences in the results of research conducted by previous researchers, this study uses operating cash flow variables to prove how the operating cash flow actually affects financial distress in a company.

Factors other than the establishment of the audit committee and financial ratios, factors originating from external companies, namely macroeconomic variables also affect financial distress. This is because macroeconomic variables come from outside the company and cannot be controlled by the company. So that it resulted in the company's operations not running smoothly. Macroeconomics in this study is measured by inflation.

Table 1. Inflation Rate in 2012-2018

Years	Inflation Rate
2012	4,3 %
2013	8,38 %
2014	8,36 %
2015	3,35 %
2016	3,02 %
2017	3,61 %
2018	3,13 %

Source: Bank Indonesia Inflation Report

Inflation is a process or condition that occurs when prices generally and continuously increase. Table 1.1 shows that the inflation rate has increased and decreased, which indicates that inflation in Indonesia is unstable. The impact resulting from inflation is an increase in company expenses, for example the cost of purchasing raw materials which will also increase the selling price at the end. An increase in the selling price of a product can reduce consumer purchasing power which will lead to a decrease in sales. A decrease in sales followed by an increase in company expenses will result in financial distress for the company. (Irwandi and Rahayu, 2019).

The results of research conducted by Kurniasanti and Musdholifah (2018) state that inflation has no effect on financial distress. On the other hand, Irwandi and Rahayu (2019), in their research stated that inflation actually has a positive and significant effect on financial distress where the higher the inflation value, the higher the company experiences financial distress. However, it is different from the results of research from Amelia (2018) which states that inflation has a positive and insignificant relationship to financial distress. This means that the company prefers to use its own capital rather than capital financed by creditors. And vice versa, if many companies use capital from creditors, the level of company sensitivity to inflation will also be higher and will result in financial difficulties in the company.

Based on the phenomena and differences in the results of previous studies, researchers are interested in researching "The Effect of the Audit Committee, Profitability, Operating Cash Flow and Inflation on Financial Distress in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2012 - 2018.

II. THEORETICAL FOUNDATIONS

2.1 Agency Theory

Jensen and Meckling (1976) explain agency theory is a form of contractual relationship between the principal and the agent to provide a service and then delegates authority in decision making. Principals are shareholders or investors and agents are company management (Sulistyowati et al, 2019: 22).

Agency theory is used by the author because this theory is related to this research, namely the audit committee which is part of the owner whose task is to assist in the supervision of the performance of company management carried out by management. Supervision is carried out so that there is no manipulation of information by management to the owner in the form of financial information and non-financial information. In addition, information related to financial statements, for example, profitability ratios and operating cash flow ratios. The low profitability ratio of the company will trigger the company to be trapped in financial distress. The smooth operating cash flow of the company can be a trust to the owner (principal) for the work of management (agent). On the other hand, a high inflation rate will have an impact on the resulting financial information. If financial information is bad, it will put the company in financial distress and will provide bad news for investors who want to invest.

2.2 *Financial Distress*

Financial distress or often referred to as financial difficulties is a condition in which a company is unable to fulfill its financial obligations as previously determined (Surdayanti and Dinar, 2019: 102). Financial distress is reflected in the decline in profits in a row and becomes a pre-condition before the bankruptcy in the company. (Sudaryanti and Dinar, 2019: 102).

According to Plat and Plat (2002), financial distress is the stage of a decline in financial conditions that occurs before bankruptcy or liquidation occurs. Meanwhile, according to Febriyan and Prasetyo (2019: 105), financial distress is a condition in which the company is in an insecure position from the threat of bankruptcy or is experiencing financial difficulties.

2.3 Audit Committee

The definition of the audit committee is in accordance with the Financial Services Authority Regulation number 55 / POJK.04 / 2015 concerning the formation and work implementation guidelines of the audit committee, which states that the audit committee is a committee formed by and responsible to the Board of Commissioners in helping carry out the duties and functions of the Board of Commissioners.

According to Ramdani and Wijaya (2019), the audit committee is a committee whose job is to assist the board of commissioners to oversee the financial reporting process. Requirements for the audit committee to have a minimum of 3 (three) members consisting of 1 (one) independent commissioner and a minimum of 2 (two) other members who come from public companies or outside the issuer.

2.4 Profitability

Nirmalasari (2018: 30), Profitability is the ability of a company to earn profits through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of branches, and so on. Companies with a high level of profitability tend to use relatively smaller debt cashmere (2008, in kurniasanti and Musdholifah, 2019: 5). If the profitability of a company continues to decline and even amounts to negative, it is likely that the company will experience financial distress.

2.5 Operating Cash Flow

Febriyan and Prasteyo (2019: 106), operating cash flow is the main revenue-producing activity of a company that determines whether operations will generate cash to pay off loans and maintain the company's operating ability to pay dividends and make investments.

According to Tutliha and Rahayu (2019: 96), cash flow information is an indicator for creditors to determine financial conditions. If the company has a good amount of cash flow, creditors will have confidence that the company is capable of performing its obligations and the company can avoid financial distress.

2.6 Inflation

Inflation is an economic symptom that shows a continuous increase in the price level in general. The conditions for inflation are the occurrence of a general and continuous increase in prices. If only one or two types of goods increase, it is not inflation (Hasyim, 2016: 186).

High inflation means that the price of goods has increased, this causes public demand to tend to decrease because prices are rising. This situation can hamper the company's production activities because sales will decrease along with decreasing demand, Darmawan (2017, in Priyatnasari, 2019 : 1009).

III. RESEARCH METHODS

3.1 Data Collection Methods and Sample Selection

This study uses secondary data obtained from annual reports and financial reports published on the official website of the Indonesia Stock Exchange (BEI) (www.idx.co.id). The strategy used in this study is to use associative. Based on predetermined criteria, in the period 2012 - 2018, 21 property and real estate companies that met the criteria were obtained and multiplied by 7 years to 147 samples.

3.2 Operational Variables

The operational variables in this study are :

1. *Financial Distress*

Financial distress is proxied by the Interest Covarage Ratio (ICR). Companies experiencing financial distress have an Interest Coverage Ratio (ICR) of less than 1 (one) and companies that do not experience financial distress have an Interest Coverage Ratio (ICR) of more than 1 (one) (Fahmi). , 2014: 74). The reason the authors use the Interest Coverage Ratio (ICR) indicator is because the Interest Coverage Ratio (ICR) is considered to be able to provide information about the company's financial condition by focusing on the amount of profit that can cover its interest expense.

$$\boxed{ICR = \frac{\text{Operating Profit}}{\text{Interest Expense}}}$$

(Fahmi, 2014:74)

2. Audit Committee

The audit committee is measured by counting the number of audit committee members in the company. Based on Financial Services Authority Regulation number 55 / POJK.04 / 2015 there are at least 3 members of the audit committee in the company. The reason the authors use the indicator of the number of members of the audit committee is because members of the audit committee tend to be fairer and impartial in dealing with a problem.

$$\boxed{\text{Audit Committee} = \text{Number of Audit Committee Members}}$$

(POJK, 2015:03)

3. Profitability

The profitability ratio is measured using Return On Assets (ROA). Return on assets (ROA) describes how much net profit will be generated from each rupiah embedded in total assets. The high ROA of a company shows that the company is able to generate high profits, so that an increase in assets will also occur (Idarti and Hasanah, 2018: 165). The reason the authors use the Return On Assets (ROA) indicator is because Return on Assets (ROA) is able to assess the efficiency and effectiveness of the company by focusing on the rate of return on profits based on the use of assets.

$$\textit{Return On Asets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

(Nirmalasari, 2018:30)

4. Operating Cash Flow

Operating cash flow is measured through the ratio by comparing operating cash flows to current liabilities. The greater the operating cash flow ratio in the company, it will show that the company has not failed in running its business (Febriyan and Prasetyo, 2019: 108). The reason the authors use the operating cash flow ratio indicator is because the operating cash flow ratio is able to assess the company's performance in paying off its short-term debt related to operating cash flow.

$$\text{Operating Cash Flow} = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$$

(Febriyan dan Prasetyo, 2019:108)

5. Inflation

Inflation is measured using the Consumer Price Index (CPI) indicator. This index is compiled from the prices of services and goods consumed by the community over a certain period of time. Changes in the CPI from time to time illustrate the rate of price increase (inflation) or the rate of decline in prices (deflation) of services and goods (Rohiman and Damayanti, 2019: 189). The reason the author uses the Consumer Price Index (CPI) indicator is because the CPI is the government's reference in calculating the inflation rate which will later be used as a consideration in determining the limit of the product selling price so that no party is injured. Consumer Price Index (CPI) data can be obtained from the official website of the Central Statistics Agency (www.bps.go.id).

$$Ll_t = \frac{IHK_t - IHK_{t-1}}{IHK_{t-1}} \times 100$$

(Waluyo dan Yulianti, 2016:161)

3.3 Data Analysis Methods

The analytical tool used in this research is to use descriptive statistical analysis techniques and logistic regression analysis. The reason for using this analysis technique is because descriptive statistics provide an overview of data about the variables in the study, besides logistic regression is used because the data used in this study is non-metric data (experiencing financial distress or not experiencing financial distress) on the dependent variable, while the independent variable is a combination of categorical variables (non-metric data) and continuous variables (metric data). Descriptive statistical analysis and logistic regression analysis in this study were carried out using SPSS version 26 software. The appropriate method for obtaining and collecting research data used in this study is documentation data.

IV. RESULTS AND DISCUSSION

4.1 Data Analysis

4.1.1 Descriptive Statistical Analysis

Descriptive statistics aim to provide information from raw data to information that describes phenomena or characteristics of the data. The figures include the minimum value, maximum value, mean and standard deviation. In this study using independent variables including the audit committee, profitability, operating cash flow and inflation and the dependent variable is financial distress. Following are the results of descriptive statistical analysis according to table 4.1.1

Table 4.1.1 Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
Financial distress	147	0	1	,16	,365
Komite Audit	147	2	5	3,05	,418
Profitabilitas	147	-,08	,36	,0520	,07186
Arus Kas Operasi	147	-2,89	36,08	,3682	3,01754
Inflasi	147	3,02	8,38	4,8786	2,24924
Valid N (listwise)	147				

Source: Results of data processing with SPSS version 26, 2020

Based on the results of the descriptive statistical test, it shows that the average (mean) value of the financial distress variable is 0.16 and the standard deviation value is 0.365. This shows that the average (mean) level of property and real estate companies listed on the IDX in 2012-2018 experienced financial distress of 16%. The company with the highest level of financial distress with a maximum value of 1 is owned by PT. Indonesia Prima Property Tbk (OMRE) with a value of -15.34 in 2017. This occurred because there was an increase in interest expense and a decrease in income by 24.65% from 2016. As for companies with the lowest level of financial distress with a minimum value of 0 owned by PT. Lippo Cikarang Tbk (LPCK) with a value of 1,621.14 in 2014. This indicates that PT. Lippo Cikarang Tbk (LPCK) has healthy finances because the company is able to achieve sales targets and minimize costs.

Based on table 4.1.1, the X1 variable is the Audit Committee as measured by the number of audit committee members in the company which shows the results that the average (mean) value is 3.05 and the standard deviation value is 0.418. This shows that the average (mean) member of the audit committee in property and real estate companies listed on the IDX in 2012-2018 is 3.05. Companies with a maximum value of 5 owned by PT. Greenwood Sejahtera Tbk (GWSA) in 2015-2018. While the lowest value is 2 owned by PT. Perdana Gapuraprima Tbk (GPRA) in 2012, 2013, 2014, 2017 and 2018 PT. Perdana Gapuraprima Tbk can prove that with a small number of audit committees, this company is able to avoid financial distress. This is because PT. Perdana Gapuraprima Tbk has an audit committee that is competent and experienced in their field so that internal control can be well controlled.

Based on table 4.1.1, the X2 variable, namely Profitability as measured by using Return on Assets (ROA), shows that the average (mean) ROA value of the 147 companies studied is 0.0520 with a standard deviation of 0.07186. This indicates that property and real estate companies have the ability to return on investment of 52% of net income. Companies with a maximum ROA value of 0.36 are owned by PT. Fortune Mate Indonesia Tbk (FMII) in 2016. This shows that a good company performance will generate a large net profit. Meanwhile, companies that have a minimum ROA value of -0.08. This value is owned by PT. Bhuwanatala Indah Permai Tbk (BIPP) in 2012. This indicates that the company is not in good condition or is experiencing a loss.

Based on table 4.1.1, the X3 variable is Operating Cash Flow measured by comparing the amount of operating cash flow generated with current liabilities. The mean (mean) AKO value of the 147 companies studied was 0.3682 with a standard deviation value of 3.01754. This shows that the average company pays off its current liabilities using operating cash flows of 36.82% per year. Companies with a maximum AKO value of 36.08 are owned by PT. Cowell Development Tbk (COWL) in 2013. While companies with a minimum AKO value of -2.89 are owned by PT. Indonesia Prima Property Tbk (MORE) in 2016. This shows that the company is unable to pay its current obligations using operating cash flows.

Based on table 4.1.1, the X4 variable is inflation as measured by the annual inflation rate according to data from the Central Statistics Agency (BPS), which shows an average value (mean) of 4.8786 and a standard deviation of 2.24924. This shows that inflation during the observation period was unstable. The maximum value of inflation was 8.38, this happened in 2013. This was due to the increase in fuel oil (BBM) which resulted in rising demand prices. This also has an impact on PT. Greenwood Sejahtera Tbk (GWSA), which suffered losses due to rising bank rates which resulted in decreased public interest in investing in property. The minimum value of inflation is 3.02 which occurred in 2016.

4.2 Logistic Regression Analysis

4.2.1 Overall Model Testing (*Overall Model Fit*)

Overall model fit testing is done to find out whether the model fits the data or not. This test can be done by comparing the final value of -2log initial Likelihood "block number = 0" with the final value -2log Likelihood end "block number = 1". The results of testing the overall fit model are as follows :

Tabel 4.2.1 Model Fit Test Results

-2log Initial likelihood "block number = 0"	Has a value of 127,525
-2log final Likelihood "block number = 1″	Has a value of 72,321

Source: Results of data processing with SPSS version 26, 2020

Based on table 4.2.1, it is known that a decrease in value after the entry of the independent variables into the study shows that the hypothesized model is fit with the data or in other words, the addition of independent variables, namely the audit committee, profitability, operating cash flow and inflation will improve the fit model of this study.

4.2.2 Feasibility Testing of Regression Models (*Hosmer and Lemeshow's*)

This test is conducted to assess the feasibility of the logistic regression model used by the researcher, namely whether the independent variables (audit committee, profitability, operating cash flow, and inflation) are in accordance with empirical data or not. Following are the results of testing the feasibility of the regression model :

Table 4.2.2 Results of the Regression Model Feasibility Test

Step	Chi-square	df	Sig.
1	4,019	8	,855

Source: Results of data processing with SPSS version 26, 2020

Table 4.2.2 shows the Chi-square value of 4.019 with a significant value of 0.855> 0.05, so H0 is accepted. This means that the logistic regression model is feasible to use and is able to predict the value of the observations, because there is no difference between the model and the data

4.2.3 Determination Coefficient Testing (*Cox dan Snell's R Square*)

The coefficient of determination (R2) is used to assess the strength of the independent variables, namely the audit committee, profitability, operating cash flow and inflation in explaining the variability of the dependent variable (financial distress) in this study. Following are the results of the determination coefficient test.

Table 4.2.3 Hasil Uji Koefisien Determinasi

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	72,321[a]	,313	,540

Source: Results of data processing with SPSS version 26, 2020

Table 4.2.3 shows the Nagelkerle R Square value of 0.540 which means that the dependent variable can be explained by the independent variable by 54% and the remaining 46% is explained by other variables that are not included in this study.

4.2.4 Classification Matrix Testing

This is done to predict the possibility of the company experiencing financial distress. The predictive power of this regression model is expressed in percent.

Table 4.2.4 Classification Matrix Test Results

<table>
<tr><td colspan="3" rowspan="3">Observed</td><td colspan="3">Predicted</td></tr>
<tr><td colspan="2">Financial Distress</td><td rowspan="2">Percentage Correct</td></tr>
<tr><td>Non Financial Distress</td><td>Financial Distress</td></tr>
<tr><td rowspan="3">Step 1</td><td rowspan="2">Financial Distress</td><td>Non Financial Distress</td><td>120</td><td>4</td><td>96,8</td></tr>
<tr><td>Financial Distress</td><td>13</td><td>10</td><td>43,5</td></tr>
<tr><td colspan="2">Overall Percentage</td><td></td><td></td><td>88,4</td></tr>
</table>

Source: Results of data processing with SPSS version 26, 2020

Based on Table 4.2.4, it tells us that the prediction for companies experiencing financial distress is 43.5%, that is, 10 out of 23 observations are predicted and 96.8% for companies that do not experience financial distress, that is 120 out of 124 observations. Overall, table 4.9 shows that 120 + 10 = 130 samples or 88.4% of samples can be predicted accurately with this logistic regression model..

4.2.5 Simultaneous testing / F (*Omnibus Tests of Model Coefficients*)

This test is carried out to determine whether the independent variables simultaneously (jointly) affect the dependent variable. The test results can be seen in table 4.2.5 below:

Tabel 4.2.5 Hasil Uji F (*Omnibus Tests of Model Coefficients*)

		Chi-square	df	Sig.
Step 1	Step	55,203	4	,000
	Block	55,203	4	,000
	Model	55,203	4	,000

Source: Results of data processing with SPSS version 26, 2020

From the results of table 4.2.5 testing, the Chi-square value is 55.203 with a significant value of 0.000 <0.05. This means that simultaneously (together) the independent variables, namely the audit committee, profitability, operating cash flow and inflation have an effect on financial distress.

4.2.6 Individual / Partial Testing / T (Regression Coefficient Test)

Partial testing of the logistic regression model can be seen in the variables in the equation with a significance level of <0.05, which means that the variable has a significant effect on the dependent variable. The results of the analysis can be seen in table 4.2.6 below:

Table 4.2.6 T Test Results (Regression Coefficient)

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Komite Audit	3,013	1,019	8,742	1	,003	20,347
	Profitabilitas	-39,035	9,500	16,882	1	,000	,000
	Arus Kas Operasi	-2,090	,859	5,912	1	,015	,124
	Inflasi	-,180	,167	1,165	1	,281	,835
	Constant	-9,538	3,072	9,642	1	,002	,000

Source: Results of data processing with SPSS version 26, 2020

Based on the results of the calculations in Table 4.2.6, the logistic regression equation is obtained as follows:

$$\left(Ln\,\frac{FD}{1-FD}\right) = -9{,}538 + 3{,}013KA - 39{,}035ROA - 2{,}090AKO - 0{,}180INF + \varepsilon$$

From the logistic regression equation above, the following information is obtained:

1. A constant value of -9.538 indicates that without the influence of the independent variables, namely the audit committee, profitability, operating cash flow and inflation, the company's chances of experiencing financial distress will decrease by 9.538.
2. The coefficient value of the audit committee variable (X1) is 3.013. This shows that for every increase in the audit committee by 1 unit, the chance of financial distress will increase by 3.013, assuming that the other independent variables remain. The significance value is less than 0.05 (0.003 < 0.05), which means that the audit committee has an effect on financial distress.
3. The coefficient value of the profitability variable (X2) is -39.035, meaning that if the profitability variable increases by 1 unit, the chance of financial distress will decrease by 39.035, assuming that the other independent variables remain. The profitability variable has a significance level of 0.000 <0.05, which means that profitability has an effect on financial distress.
4. The coefficient value of the operating cash flow variable (X3) is -2.090, meaning that if the operating cash flow increases by 1 unit, the chance of financial distress will decrease by 2.090. Judging from the results of the low level of significance (0.015 <0.05), it can be concluded that the operating cash flow variable has an effect on financial distress.
5. The coefficient value of the inflation variable (X4) is -0.180, indicating that if there is an increase in inflation of 1 unit, then the chance of financial distress will decrease by 0.180, assuming that the other independent variables remain. In addition, the level of significance is 0.281 or greater than 0.05, which indicates that inflation has no effect on financial distress.

4.3 Interpretation of Research Results

4.3.1 The Effect of the Audit Committee on Financial Distress

Based on the results of logistic regression testing that has been carried out, it can be seen that the audit committee has a significant effect on financial distress with a significance value of 0.003 <0.05. These results indicate that the first hypothesis (H1) which tests the effect of the audit committee on financial distress is accepted.

The results of this study indicate that the greater the number of audit committees in the company, the higher the possibility of the company experiencing financial distress. This can be seen in the descriptive statistical analysis above, that the large number of members of the audit committee will make it difficult to agree on the decisions to be taken. This research is in line with Nadjib's (2017) research which states that the audit committee has an effect on financial distress. While different results are shown by research Damayanti, et al (2017), Sulistyowati, et al (2019), Putra and Muslih (2019) which show that the audit committee has no effect on financial distress.

4.3.2 Effect of Profitability on Financial Distress

Based on the results of logistic regression testing that has been carried out, it can be seen that profitability as measured by Return on Assets (ROA) has a negative and significant effect on financial distress with a significance value of 0.000 <0.05. So that the second hypothesis (H2) which tests the effect of profitability on financial distress is accepted.

The results of this study state that the higher the value of profitability, the lower the possibility of the company experiencing financial distress. This profitability variable shows an effective use of company assets in generating profits. With the amount of profit earned, the company has sufficient funds to finance its operations. So that this will keep the company away from financial distress. These results are consistent with research conducted by Damayanti, et al (2017), Nukmaningtyas and Worokinasih (2018), and Sudaryanti and Dinar (2019) which state that profitability has a negative and significant effect on financial distress. However, this result is contrary to the research of Sari, et al (2019) which states that profitability has no effect on financial distress.

4.3.3 The Effect of Operating Cash Flow on Financial Distress

Based on the results of logistic regression testing that has been carried out, it can be seen that operating cash flow has a negative and significant effect on financial distress with a significance value of 0.015 or less than 0.05. The results of this test indicate that H3, which tests the effect of operating cash flow on financial distress, is accepted.

The results of this study indicate that the higher the value of operating cash flow, the lower the possibility of the company experiencing financial distress. These results agree with the research of Amarilla et al (2017), which states that operating cash flow has a negative effect on financial distress. Operating cash flow is useful for meeting the company's operational activities in order to generate income. With the amount of revenue, it will better guarantee the company to pay off its current obligations on time so that the potential for financial distress will be even smaller. However, there are also research results that contradict this study. Nukmaningtyas and Worokinasih (2018) state that operating cash flow does not affect financial distress.

4.3.4 Effect of Inflation on Financial Distress

Based on the results of logistic regression testing that has been carried out, it can be seen that inflation has no effect on financial distress in property and real estate companies. This can be seen from the significance value of 0.281 or greater than 0.05. These results indicate that the fourth hypothesis (H4) which tests the effect of inflation on financial distress, is rejected.

The results of this study indicate that any increase or decrease in inflation in a country does not result in the company's chances of experiencing financial distress. This is because during the observation period, inflation tends to be stable. Descriptive statistics show that the average (mean) inflation during the 2012-2018 period was 4.88% or it was a mild type of inflation, so this made it easy for companies to anticipate and control their financial conditions. The results of this study are consistent with research conducted by Kurniasanti and Musdholifah (2018), Amelia (2018), and Priyatnasari and Hartono (2019) which state that inflation has no effect on financial distress. However, this result contradicts research conducted by Pertiwi (2018) which states that inflation has an effect on financial distress.

4.3.5 The Effect of the Audit Committee, Profitability, Operating Cash Flow and Inflation on Financial Distress

The test results show that the audit committee, profitability, operating cash flow and inflation simultaneously have a significant effect on financial distress. This is indicated by a significant value of 0.000 <0.05. These results indicate that the fifth hypothesis (H5) which examines the effect of the audit committee, profitability, operating cash flow and inflation on financial distress, is accepted.

The results of this study indicate that the greater the size of the audit committee, profitability, operating cash flow and inflation, the less likely the company will experience financial distress. This is because many audit committees within the company can supervise management. In addition, the magnitude of the ratio of profitability and operating cash flow can finance company operations so that the opportunity for financial distress will be reduced. However, a high inflation rate will cause the company to experience financial distress.

V. CONCLUSION

5.1 Conclusion

Based on the results of data analysis and the discussion that has been described, the following conclusions can be drawn :

1. The audit committee has a positive and significant effect on financial distress. This means that the more the number of audit committees, the more likely the company will experience financial distress.
2. Profitability has a negative and significant effect on financial distress. This means that the higher the value of profitability, the lower the company's chances of experiencing financial distress.
3. Operating cash flow has a negative and significant effect on financial distress. This means that the higher the value of operating cash flows, the lower the possibility of the company experiencing financial distress.
4. Inflation has no effect on financial distress. This means that any high and low inflation will not result in the company's chances of experiencing financial distress.
5. Audit committee, profitability, operating cash flow and inflation have an effect on financial distress. This means that simultaneously the Audit Committee, profitability, operating cash flow and inflation have an effect on financial distress.

5.2 Suggestion

Based on the research results, the authors provide some suggestions as follows :

1. 1. For companies experiencing financial distress such as PT. Bhuwantala Indah Permai Tbk, PT. Sentul City Tbk, PT. Cowell Development Tbk, PT. Fortune Mate Indonesia Tbk, PT. Bakrieland Development Tbk, PT City Retail Developments Tbk, PT. Greenwood Sejahtera Tbk, PT. Pikko land Developments Tbk, PT. Indonesia Prima Property Tbk, should focus

more on audit committee variables, profitability, and operating cash flow because these three variables have a significant effect on financial distress.

2. For potential investors, if they wish to invest in a company, it is better to analyze their financial condition first. This needs to be done in order to obtain the desired benefits.

5.3 Research Limitations

In this study it has limitations and can be fixed in the development of further research. The limitations and development of further research that researchers expect include :

1. The sample used in this study is limited due to the use of certain criteria, incomplete information about variables in the annual report and limitations in obtaining secondary data on the official website of the Indonesia Stock Exchange.
2. In further research, it can be considered using leverage variables, sales growth, and interest rates related to financial distress. As well as further researchers can also develop this research with different methods, change the object of research and add years of research in order to get more accurate results regarding financial distress.

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