Economics and Business International Conference Proceeding
Vol. 1 No. 2, pp. 473-489, August, 2024

The Effect of Corporate Social Responsibility and Financial Ratios on Financial Distress

Rissa Anie Safitri[1], Nurcahyono Nurcahyono[2]
Department of Accounting, Universitas Muhammadiyah Semarang
Corresponding author: rissaanie@gmail.com

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Safitri, R.A., & Nurcahyono, N. (2024). The Effect of Corporate Social Responsibility and Financial Ratios on Financial Distress. Economics and Business International Conference Proceeding, *1*(2), 473-489.

This is an open-access article.
License: Attribution-Noncommercial-Share Alike (CC BY-NC-SA)

Received: July 20, 2024
Accepted: July 25, 2024
Published: August 1, 2024

ABSTRACT

This study aims to determine the influence of Corporate Social Responsibility, Independent Board of Commissioners, Cash Flow, Profitability, and Liquidity on Financial Distress. The population in this study is all companies in the consumer non-cyclicals sector for the 2021-2023 period. A total of 14 companies were used as samples, so the number of data used was 42 observation data. Data was obtained using purposive sampling techniques and using secondary data obtained through the company's website or the Indonesia Stock Exchange website. The data analysis technique in this study is to use multiple linear regression using the SPSS statistical analysis program version 26 as a calculation tool. Based on the results of this study, Corporate Social Responsibility, Cash Flow, Profitability, and Liquidity have no effect on Financial Distress. Meanwhile, the Independent Board of Commissioners has a positive effect on Financial Distress.

Keywords: Corporate Social Responsibility, Independent Board of Commissioners, Cash Flow, Profitability, Liquidity, and Financial Distress.

INTRODUCTION

In Indonesia, the development of the business sector is experiencing rapid growth, which will have an impact on companies. This is evidenced by the increasingly fierce competition that occurs between businesses engaged in the same field (Usman Senandung Nacita, Rinofah Risal, 2022). Competition is difficult for companies to avoid, so companies continue to innovate in order to compete and survive. If a company is not able to compete and survive in the midst of the competition that exists at this time, then the company can experience financial difficulties and bankruptcy (Oktavianti Bela, Hizai Achmad, 2020).

Bankruptcy analysis of a company is very important for various parties. This is because the bankruptcy of a company can not only harm the company, but can also harm the parties who have a relationship with the company. Therefore, bankruptcy prediction analysis can be used to find out the early symptoms of bankruptcy (Nilasari Intan, 2021). The sooner the symptoms of bankruptcy are identified, the better it is for management. So that management can make improvements quickly to prevent the company from bankruptcy (Aji Panji Satrio, 2022). According to (Ramadhanti Novelina Caesar, 2022), before the company experiences bankruptcy or liquidity, the company will first face financial challenges, which are referred to as financial distress. Financial distress is a situation where a company is unable to pay its obligations that have matured (Pancawitri & Dillak, 2022). A company experiencing financial distress can be caused by three financial conditions, such as insufficient capital, high interest expenses, and declining sales or poor sales growth. Therefore, the relationship between these three aspects is needed to minimize the possibility of the company experiencing financial distress (Nurcahyono et al., 2023a, 2023b)

Financial distress conditions cannot just appear in companies, there must be early indications that cause companies to experience these conditions. Financial statement analysis is one of the methods to obtain information on the company's financial condition. When the company's financial statements show a decline, management and external parties can anticipate and predict the possibility of financial difficulties in a company (Faldiansyah Achmad Kevin, Arrokhman Dicky Beryl Kholif, 2020). Financial distress if not addressed immediately can cause investors to lose confidence in the company and become less interested in investing, so that the company will be in financial difficulties and will be forced to be delisted from the Indonesia Stock Exchange because it is no longer eligible to join and cannot trade its securities on the Indonesia Stock Exchange (Stepani & Nugroho, 2023).

Market conditions are one of the indicators that can be used to measure financial distress which can be seen from declining profits. Several companies in the consumer non-cyclicals sector in recent years are experiencing problems related to company performance, both revenue and net profit performance (Nurcahyono et al., 2024). The consumer non-cyclicals sector is a sector that is not affected by the economy, so this sector is still able to grow even though the economy is slowing down. The consumer non-cyclicals sector includes companies that provide goods and services for basic needs (Ramadhani, 2022). The factors that affect the consumer non-cyclicals sector in the problem are due to a decline in profits, profitability, stock price movements that tend to be low to moderate, and there are legal problems related to the Suspension of Debt Payment Obligations (SDPO).

Several companies in the consumer non-cyclicals sector in 2021-2023 experienced a decline in net profit, including PT Unilever Indonesia Tbk (UNVR) experienced a

decrease in profit in 2021 of IDR 5.76 trillion, down 19.6% from the previous year, in 2022 of IDR 5.36 trillion, down by 6.8%, in 2023 in semester 1 of IDR 2.8 trillion, down 19.5%. PT Matahari Putra Prima Tbk (MPPA) in 2021 recorded a net loss of IDR 337.55 billion, down 16.7%, in 2022 experienced an increase in losses of IDR 429.6 billion, in the third quarter of 2023 recorded a net loss of 247.50 billion. Based on the phenomena that have been described, it can be seen that companies in the consumer non-cyclicals sector can be affected by economic growth and not a few companies in this sector are experiencing financial difficulties or financial distress. Thus, in predicting the factors that affect financial distress, the researcher uses the variables of corporate social responsibility, corporate governance, cash flow, profitability, and liquidity (Khasanah & Nurcahyono, 2021; Nurcahyono et al., 2022).

Corporate social responsibility or CSR is one of the non-financial factors that can affect financial distress. Corporate social responsibility can be interpreted as a company's focus on how its business activities can affect society and the environment (Nugrahanti, 2021). Based on the perspective of instrumental stakeholder theory, companies that report CSR have been shown to benefit from better financial performance as a result of maintaining good relationships with stakeholders. Companies use CSR as a risk management approach to improve their products, protect against political risks, and protect against social sanctions. However, currently there is no regulation that regulates in detail what must be disclosed in the disclosure of CSR activities. More research is needed to determine the benefits of CSR disclosure in reducing financial distress (Nugrahanti, 2021).

Research on the influence of CSR on financial distress is still limited in results. According to (Nugrahanti, 2021), (Wardana et al., 2023) and (Adzroo Naomi Ulayya, 2023) that CSR has a negative influence on financial distress. The higher the CSR activities carried out by the company, the lower the risk of financial distress. Meanwhile, according to (Rizky et al., 2023) Corporate social responsibility has no effect on financial distress. Corporate governance is one of the ways carried out by companies to predict the occurrence of financial distress conditions (Wardana et al., 2023). Corporate governance with financial distress is often a concern, especially the relationship between company performance and decisions made by top management who bear the burden of the company's financial problems. Corporate governance is used by a company to achieve its goals and maximize its (Maronrong et al., 2022). The corporate governance used in this study is an independent board of commissioners.

An independent board of commissioners is one of the good corporate governance mechanisms for companies because it can reduce problems in the company (Maryam & Yuyetta, 2019). The independent board of commissioners is part of the company, which has the responsibility to supervise managers in carrying out their duties in reporting financial statements and encouraging its implementation The principles of good corporate governance in the company properly and correctly. The independent board of commissioners must have an independent attitude, because it is elected directly by the shareholders at the general meeting of shareholders (GMS) (Fizabaniyah et al., 2023; Khansa et al., 2022; Permatasari et al., 2023)

Research conducted by (Amanda & Muslih, 2020) The Independent Board of Commissioners has a positive effect on financial distress. This means that the more independent boards of commissioners in the company, the less potential for financial distress to occur in the company because the company will maximize the supervision and implementation that exists in the company (Sa'diah & Utomo, 2021). Meanwhile,

according to (Rizky et al., 2023) and (Sa'diah & Utomo, 2021) The Independent Board of Commissioners has a negative effect on financial distress.

One of the financial reports that provides relevant information to the users of financial statements is cash flow. There are three activities that can shape this information, namely funding, investment, and operations (Ramadhanti Novelina Caesar, 2022). The higher the company generates cash flow, the smaller the company will experience financial distress (Syuhada et al., 2020). Companies must manage cash flow carefully, because improper or poor use of cash will put the company in financial distress (Ramadhanti Novelina Caesar, 2022).

Research conducted by (Pandapotan & Puspitasari, 2022) and (Amanda & Muslih, 2020) Cash flow has a positive effect on financial distress. This shows that companies that have healthy cash flow are able to pay dividends, make new investments, maintain operating capacity, and pay off debt. Meanwhile, according to (Syuhada et al., 2020) and (Ramadhanti Novelina Caesar, 2022) Cash flow has a negative effect on financial distress. This is due to the cash flow generated by small companies (Ramadhanti Novelina Caesar, 2022).

Financial ratios are tools that can be used to Evaluate company performance and predict financial distress and bankruptcy (Maronrong et al., 2022). The profitability ratio is the financial ratio shown by the company in generating profits in a certain period. Return on assets (ROA) is a proxy used by profitability to measure a company's ability to manage all its assets to generate the desired profit (Nurcahyono et al., 2022; Permatasari et al., 2023; Timoty et al., 2022). Research conducted by (Purwaningsih & Safitri, 2022), (Oktavianti Bela, Hizai Achmad, 2020) and (Saputra Andrew Jaya, 2020) stated that profitability has a positive effect on financial distress. The higher the profitability used by the company in generating profits, the better the company's performance will be and the more profits the company will obtain as desired (Syuhada et al., 2020). Meanwhile, according to (Syuhada et al., 2020), (Adzroo Naomi Ulayya, 2023), (Muzharoatiningsih, 2022), (Putri Deanisyah Suryani, 2020), (Stepani & Nugroho, 2023) and (Maronrong et al., 2022) stated that profitability has a negative effect on financial distress. This is because profitability continues to decline in a negative direction, so it is likely that the company will face financial distress (Maronrong et al., 2022). Liquidity is a financial ratio used to measure a company's ability to pay off its short-term obligations (Aji Panji Satrio, 2022). Liquidity can be measured by current ratio (CR) (Stepani & Nugroho, 2023). When the company is able to pay off its short-term obligations optimally, the company will avoid financial distress conditions (Aji Panji Satrio, 2022).

Research conducted by (Oktavianti Bela, Hizai Achmad, 2020) Liquidity has a positive effect on financial distress. The higher the company's liquidity level will indicate that the company has the ability to pay off its short-term obligations (Putri Deanisyah Suryani, 2020). Meanwhile, according to (Syuhada et al., 2020), (Adzroo Naomi Ulayya, 2023), (Purwaningsih & Safitri, 2022), (Stepani & Nugroho, 2023) and (Nilasari Intan, 2021) stated that liquidity has a negative effect on financial distress. If the company produces little liquidity, then it is likely that the company can experience financial distress (Aji Panji Satrio, 2022). This research is a development of the research (Wardana et al., 2023). The difference with the previous research is by adding independent variables of profitability and liquidity, there are variables for controlling leverage and asset tangibility, and changing the research sector.

LITERATUR REVIEW

Signal Theory

Signal theory (*signalling theory*) first proposed by (Spence, 1973) in his research entitled *Job Market Signaling*. In this theory, it is explained that there are two parties involved, namely internal parties such as management who act as signal givers and external parties such as investors who act as signal receivers. Then the research was developed by Ross (1977) who explained the encouragement of external parties of companies who have better information, to convey their company information to investors. *Signalling theory* is a theory that reveals that companies can provide signals to external parties, either in the form of positive signals (good news) or negative signals (bad news) regarding the company's condition (Santoso, 2017).

The signals provided are in the form of information about what has been done by the management to realize the owner's wishes. The information issued by the company is important, because it has an impact on the investment decisions of capital owners, investors, and creditors (Arlina Nurulita et al., 2021). This information is important for investors and business people because it provides complete, relevant, accurate and timely information for the survival of the company and how it will affect the company. In addition, this information can also be used to study the occurrence of changes in a company when experiencing an increase or decrease in financial performance. However, if a company is experiencing financial distress, the manager will limit the information that will be disclosed to the public (Arlina Nurulita et al., 2021).

Signal theory against financial distress is one of the important methods in a company's financial analysis. This is related to how a company uses certain information or actions to convey its financial condition to the public. A company facing potential financial difficulties may show positive or negative signals to investors and creditors through dividend policies, capital structures, or management behaviors such as late announcements of financial statements.

Relationship *signalling theory* between corporate social responsibility, independent board of commissioners, cash flow, profitability, and liquidity to financial distress. Corporate social responsibility with a high value will show a good or positive signal in the eyes of the public, because the company is considered to have good internal conditions (Rizky et al., 2023). The existence of an independent commissioner can signal that the company has a strong commitment to transparency and good governance. Meanwhile, companies with high cash flow values will show positive signals for creditors and investors, because the company is considered able to pay debts and generate profits (Syuhada et al., 2020). A company with a high profitability score will show a good signal for investors, because with high profitability it can show that the company's financial performance is in good condition and the company is considered to have the ability to manage its resources efficiently and can generate sustainable (Alfitri et al., 2022; Herianto et al., 2023). Then for companies with high liquidity, it will show a positive signal to the company's ability to meet short-term obligations, because the higher the level of liquidity, it shows that the company has enough funds and does not need to seek additional funding (Aji Panji Satrio, 2022).

Based on the above description, the researcher can conclude that corporate social responsibility, independent board of commissioners, cash flow, profitability, and liquidity can be used to evaluate a financial condition and predict factors that affect financial distress. Thus, the results of this analysis aim to study or identify any changes that occur in the company, whether the company is experiencing an increase or decrease in

financial condition and company performance as a signal for financial statement users to help the decision-making process.

Pengaruh Corporate Social Responsibility terhadap Financial Distress
Corporate social responsibility or CSR is one of the non-financial factors that can affect financial distress. Corporate social responsibility can be interpreted as a company's focus on how its business activities can affect society and the environment. Companies use CSR as a risk management approach to improve their products, protect against political risks, and protect against social sanctions (Nugrahanti, 2021). Based on signal theory, CSR with a high value will show a good or positive signal in the eyes of the public, because the company is considered to have good internal conditions so that the company's success is closely related to the welfare of the people in the area where the company operates (Rizky et al., 2023).

The statement is supported by research (Nugrahanti, 2021), (Wardana et al., 2023) and (Adzroo Naomi Ulayya, 2023) corporate social responsibility has a negative effect on financial distress. Companies that can carry out corporate social responsibility may face financial difficulties, because the allocation of funds for corporate social responsibility will be a burden if it consumes large resources without generating direct benefits for the company. The negative impact shown by corporate social responsibility can be interpreted as that while these activities can improve the company's reputation, consumer trust, and increase attractiveness to investors, they can also cause financial problems (Wardana et al., 2023).
H1 : Corporate social responsibility has a negative effect on financial distress

The Influence of the Independent Board of Commissioners on Financial Distress
The independent board of commissioners is part of the company, which has the responsibility to supervise managers in carrying out their duties in reporting financial statements and encouraging its implementation The principles of good corporate governance in the company properly and correctly. The independent board of commissioners must have an independent attitude, because it is elected directly by the shareholders at the general meeting of shareholders (GMS) (Amanda & Muslih, 2020). Based on signal theory, the existence of independent commissioners can signal that the company has a strong commitment to transparency and good governance, so as to increase investor and stakeholder confidence in the company.

The existence of an independent commissioner is expected to help supervision by providing information transparency so that there are no misunderstandings between the parties concerned. The more independent board of commissioners in the company, the less potential for financial distress to occur in the company because the company will maximize the supervision and implementation of the company (Sa'diah & Utomo, 2021). This statement is supported by research (Rizky et al., 2023) and (Sa'diah & Utomo, 2021) The Independent Board of Commissioners has a negative effect on financial distress.
H2 : Independent Board of Commissioners has a negative effect on financial distress

The Effect of Cash Flow on Financial Distress
Cash flow is a financial statement that provides relevant information about a company's cash receipts and expenditures in a certain period by including transactions in the company's operations, financing, and investment activities (Isdina Senny Hardiani, 2021). Cash flow has an important role in determining a company's financial health, as it can assist companies in identifying potential financial problems and taking preventive measures when the company is in such a condition. According to signal theory,

companies with high cash flow values will show positive signals for creditors and investors, because the company is considered able to pay debts, generate profits, and invest in the future (Syuhada et al., 2020).

This research is supported by research (Pandapotan & Puspitasari, 2022) and (Amanda & Muslih, 2020) Cash flow has a positive effect on financial distress. The higher the cash flow generated by the company, the more confident the creditor has in the return of the credit that has been given. Cash flow will help companies pay dividends, make new investments, maintain operating capacity, and pay off debts (Ramadhanti Novelina Caesar, 2022).
H3 : Cash flow has a positive effect on financial distress

The Effect of Profitability on Financial Distress
Profitability is a financial ratio shown by a company in generating profits in a certain period. Return on assets (ROA) is a proxy used by profitability to measure a company's ability to manage all its assets to generate the desired profit. When ROA is not used effectively and efficiently to generate profits, it will result in a decrease in profitability (Maronrong et al., 2022). Based on signal theory, a company with a high profitability value will show a good signal for investors, because with high profitability it can show that the company's financial performance is in good condition so that investors will be interested in investing their funds in the company (Syuhada et al., 2020).

This statement is supported by research (Syuhada et al., 2020), (Adzroo Naomi Ulayya, 2023), (Muzharoatiningsih, 2022), (Putri Deanisyah Suryani, 2020), (Stepani & Nugroho, 2023) and (Maronrong et al., 2022) Profitability has a negative effect on financial distress. This is because profitability continues to decline in a negative direction, so it is likely that the company will face financial distress (Maronrong et al., 2022). In this case, high profitability will minimize the possibility of the company experiencing financial difficulties or financial distress.
H4 : Profitability has a negative effect on financial distress

The Effect of Liquidity on Financial Distress
Liquidity is a financial ratio used to measure a company's ability to pay off its short-term obligations (Aji Panji Satrio, 2022). Managers use liquidity to find out how well the company is able to pay off its short-term liabilities (Nilasari Intan, 2021). According to signal theory, companies with high liquidity will show a positive signal to the company's ability to meet short-term obligations, because the higher the liquidity level indicates that the company has enough funds and does not need to seek additional funding (Aji Panji Satrio, 2022).

This statement is supported by research (Syuhada et al., 2020), (Adzroo Naomi Ulayya, 2023), (Purwaningsih & Safitri, 2022), (Stepani & Nugroho, 2023) and (Nilasari Intan, 2021) Liquidity has a negative effect on financial distress. Small liquidity will cause the company to experience financial distress. This can affect investors' views and considerations for investing (Stepani & Nugroho, 2023).
H5 : Liquidity has a negative effect on financial distress

RESEARCH METHOD

This study uses a quantitative methodology with a descriptive approach. According to (Sugiyono, 2022) Descriptive research is an approach used to determine the existence of independent variables, either only in one or more variables (independent) without making comparisons or looking for relationships with other variables. The purpose of this

study is to determine the influence of corporate social responsibility, independent board of commissioners, cash flow, profitability, and liquidity on financial distress with leverage and asset tangibility as control variables in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) website for the 2021-2023 period. The population of this study is in consumer non-cyclicals sector companies listed on the IDX 2021-2023. The sampling method used is purposive sampling, where the technique of determining samples takes into account certain criteria (Sugiyono, 2022). The following are some of the criteria in sampling this study:

1. Companies engaged in the consumer non-cyclicals sector listed on the IDX in 2021-2023.
2. Consumer non-cyclicals sector companies that publish annual reports on the company's official website during the research period.
3. All companies in the consumer non-cyclicals sector have complete data according to the variables needed in this study.

The measurement of each variable used in this study, which is presented in Table 1.

Table 1. Variable Operations

Variable	Measurement
Financial Distress	Z-Score = 0,717 WC/TA + 0,847 RE/TA + 3,107 EBIT/TA + 0,42 MVE/BVTD + 0,998 S/TA
Corporate Social Responsibility	CSRI = $\sum \frac{xi}{n}$
Independent Board of Commissioners	IBC = $\frac{\text{Independent Board of Commissioners}}{\text{Total Commissioners}}$
Cash Flow	Cash Flow = $\frac{\text{Operating Cash Flow}}{\text{Total Assets}}$
Profitability	ROA = $\frac{\text{Earning After Interest and Tax (EAIT)}}{\text{Total Assets}}$
Liquidity	CR = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Leverage	DAR = $\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset Tangibility	Asset Tangibility = $\frac{\text{Fixed Assets}}{\text{Total Assets}}$ x 100

The data analysis in this study used multiple linear regression analysis. The regression equation is as follows.

$$Y = \alpha + \beta1(X1) + \beta2(X2) + \beta3(X3) + \beta4(X4) + \beta5(X5) + \beta6(X6) + \beta7(X7) + e$$

Remarks: Y is financial distress; α is the value of the constant; β is the regression coefficient of each variable; X1 is corporate social responsibility, X2 is an independent board of commissioners; X3 is cash flow; X4 is profitability; X5 is liquidity; X6 is leverage; X7 is the asset tangibility; while e is the error value.

RESULTS

Descriptive Statistical Analysis

The descriptive statistical analysis method is a test of data in the form of a table that is able to see the results of the distribution of data seen through minimum, maximum, mean and standard deviation values. Descriptive statistical analysis is able to explain the results of data distribution well, so that it can assess the accuracy of the results. This test was carried out on companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange in 2021-2023.

Table 2. Descriptive Statistical Test Results

Variable	Minimum	Maximum	Mean	Std. Deviation
Financial Distress	-3.45	6.09	2.6175	1.85279
Corporate Social Responsibility	0.22	0.85	0.5626	0.16777
Independent Board of Commissioners	0.33	0.88	0.4423	0.13999
Cash Flow	-0.02	0.44	0.1166	0.11275
Profitability	0.01	0.30	0.0989	0.07112
Liquidity	0.09	6.18	1.8555	1.15599
Leverage	0.11	2.31	0.5369	0.48635
Asset Tangibility	13.16	73.70	38.0327	13.60763

Based on the results of descriptive statistical analysis in Table 2, financial distress has a fairly wide distribution. This can be proven from financial distress which has the highest value of 6.09 and the lowest value of -3.45, with an average value of financial distress of 2.6175 and a standard deviation value of 1.85279. Based on the results of the test, the average score is close to the highest value, which indicates that the average company in the consumer non-cyclicals sector over the past few years has not experienced financial distress. Therefore, it can be concluded that there are several companies that experience and do not experience financial distress.

Corporate social responsibility has the highest score of 0.85 and the lowest score of 0.22. The average value was 0.5626 and the standard deviation value was 0.16777. The standard deviation value indicates that the value is smaller than the average value, so it can be concluded that the average value produced is close to the highest value. These results show that the majority of companies used as a sample have expressed corporate social responsibility well. Therefore, it can be concluded that several relevant indicators have been successfully implemented by several companies in the consumer non-cyclicals sector listed on the IDX.

The independent board of commissioners had the highest score of 0.88 and the lowest score of 0.33. Meanwhile, the average value produced was 0.4423 and the standard deviation value was 0.13999. The test results of the standard deviation show that the value is smaller than the average value. The average score is close to the lowest value. This shows that the number of independent boards of commissioners in the company is still relatively small. Cash flow has a high value of 0.44 and a low value of -0.02. In addition, the average value was 0.1166 and the standard deviation value was 0.11275. The standard deviation value is smaller than the average value. Thus, the result of the

average score is close to the lowest value. This shows that the company in generating and managing cash flow is relatively low and not optimal. Therefore, it can be concluded that there are several companies that have low cash flow values so that they can affect the overall average in this data.

Profitability has the highest value of 0.30 and the lowest value of 0.01. The average value was 0.0989 and the standard deviation value was 0.07112. Standard deviation values show results that are smaller than the average value. Thus, the average score is close to the lowest value. The results of this test can illustrate that the majority of companies in the consumer non-cyclicals sector tend to generate relatively low profits, as this is due to a few companies with very low profits that can affect the overall average value in this data. Liquidity has the highest score of 6.18 and the lowest value of 0.09. The average value was 1.8555 and the standard deviation value was 1.15599. The resulting standard deviation value is smaller than the average value, so the result of the average value is close to the lowest value. This indicates that the company does not have the ability to pay short-term obligations.

Multiple Linear Regression Analysis

Multiple linear regression analysis aims to test the relationship between one variable and another. In this study, multiple linear regression analysis was used to determine the magnitude of the influence of independent variables consisting of corporate social responsibility, independent board of commissioners, cash flow, profitability, and liquidity as well as leverage and asset tangibility control variables on dependent variables, namely financial distress. Data testing to perform multiple linear regression analysis was carried out using the SPSS statistical program version 26.
The results of linear regression analysis can be seen in the following table:

Table 3. Multiple Linear Regression Test Results

Variable	Beta	Sig.
Corporate Social Responsibility	-0.142	0.052
Independent Board of Commissioners	0.235	0.005
Cash Flow	-0.001	0.996
Profitability	0.219	0.064
Liquidity	0.124	0.203
Leverage	-0.615	0.000
Asset Tangibility	-0.234	0.007
R-Square	0.865	

Based on the regression model that has been tested, it can be interpreted as follows:

1. Corporate social responsibility obtained a significance value of 0.052 > 0.05 and a coefficient value of -0.142. This shows that corporate social responsibility has a negative and insignificant effect on financial distress. This means that if the value of corporate social responsibility falls, it is said that the company is not able to disclose corporate social responsibility.
2. The independent board of commissioners obtained a significance value of 0.005 < 0.05 and a coefficient value of 0.235. This shows that the independent board of commissioners has a positive effect on financial directors. This means that if the number of board of commissioners in a company increases, the less potential the company will experience financial distress.

3. Cash flow obtained a significance value of 0.996 > 0.05 and a coefficient value of -0.001. This shows that cash flow has a negative and insignificant effect on financial distress. This means that if the cash flow generated by the company is lower, it can increase the risk of unstable financial conditions so that it can cause the company to experience financial distress.
4. Profitability obtained a significance value of 0.064 > 0.05 and a coefficient value of 0.219. This shows that profitability has a positive and insignificant effect on financial distress. This means that if a company's profitability decreases, the higher the company will experience financial distress.
5. Liquidity obtained a significance value of 0.203 > 0.05 and a coefficient value of 0.124. This shows that liquidity has a positive and insignificant effect on financial distress. This means that the lower the liquidity in the company, the greater the risk of financial distress in the company because it is not financed by assets.

DISCUSSION

Pengaruh Corporate Social Responsibility Terhadap Financial Distress

CSR has a role in ensuring that the company is socially and environmentally responsible, so that it can improve the company's reputation and support long-term sustainability. The high level of CSR disclosure reflects that the company has a commitment and responsibility to social, environmental, and economic aspects in its operations. The existence of CSR aims to ensure that the company not only focuses on financial profits, but also is responsible for the social and environmental impact of its operational activities. The implementation of this CSR is also used by the company to get a good reputation from the environment where the company operates.

Based on Table 3, CSR has a negative effect on financial distress, with a beta value of -0.142 and the sig value is 0.052 > 0.05. The results of this test prove that H1 **rejected**. This research is in line with the research conducted by (Rizky et al., 2023) CSR has no effect on financial distress. Negative CSR arises as a result of the company's inconsistency in the application of corporate ethical values, so that it can reduce public trust and potentially harm the company's reputation. It can be concluded that the results of this study do not support the signal theory which states that the management cannot convey signals related to the implementation of CSR to all stakeholders and investors. Where the information that will be conveyed includes the company's future potential and the activities that have been carried out as a form of company concern starting from the social, economic, and environmental aspects where the company operates (Hastuti et al., 2024; Nurcahyono et al., 2023b).

The Influence of the Independent Board of Commissioners on Financial Distress

Independent board of commissioners has an important role in company supervision by providing an independent perspective in strategic decision-making. The increasing number of Independent board of commissioners in a company will increase transparency, accountability, and objective decision-making and be able to encourage better corporate governance overall. This can be beneficial for all stakeholders because their interests can be protected fairly and transparently. The existence of Independent board of commissioners aims to improve good corporate governance and reduce the risk of conflicts of interest between management and shareholders. Thus, Independent board of commissioners can be used as a strong foundation by companies to build public and investor trust, and can increase the long-term value of the company through the decisions that have been taken.

Based on Table 3, the independent board of commissioners has a positive effect on financial distress, with a beta value of 0.235 and the sig value is 0.005 < 0.05. The results of this test prove that H2 **accepted**, because Independent board of commissioners has the responsibility to supervise managers in performing their duties in reporting financial statements and encourage the application of good corporate governance principles in the company properly and correctly. The results of this study are in line with the research conducted by (Amanda & Muslih, 2020) that the Independent Board of Commissioners has a positive effect on financial distress. This states that the more independent boards of commissioners in the company shows that the less potential the company will experience financial distress, because the large number of independent boards of commissioners will maximize the supervision and implementation of the company.

The Effect of Cash Flow on Financial Distress

Cash flow has an important role in the financial sustainability of a company. Cash flow shows the company's operational performance in managing cash inflows and cash outflows from its business activities as well as in generating profits. A high level of cash flow indicates that the incoming cash flow is greater than the outgoing cash flow, so the company can address its financial obligations in a timely manner and invest more in business development. When a company has a healthy cash flow, it will be good because it is considered that the company is able to finance its operational activities, pay off obligations, and assist in making strategic decisions such as expansion or restructuring so that it can avoid potential financial distress (Ifada et al., 2023). The implementation of good cash flow shows the existence of regular monitoring, expenditure planning, and efficient receivables management to maintain optimal liquidity and financial stability.

Based on Table 3, cash flow has a negative effect on financial distress, with a beta value -0.001 and the gis value is 0.996 > 0.05. The results of this test prove that H3 **rejected**, because the relationship between the company's cash flow and the level of financial distress cannot appear by chance, but there is a strong factor from the data used to obtain the test results. Research conducted by (Wardana et al., 2023), (Darmiasih Ni Wayan Ray, Endiana I Dewa Made, 2022), (Isdina Senny Hardiani, 2021), and (Purwaningsih & Safitri, 2022) Cash flow has no effect on financial distress. A negative cash flow value can be said to mean that the company is relatively small in generating cash flow. Cash flow can be caused by the information that a company obtains from very complex cash flows, because flow reports include operational activities, funding, and investments. Cash flow generated from low operating activities cannot pay off the company's long-term liabilities, making it difficult to predict whether the company is in financial distress or not.

The Effect of Profitability on Financial Distress

Profitability has an important role in generating a company's profits in a given period. A high profitability ratio indicates the efficiency in the use of resources and the company's ability to generate stable profits. Thus, the higher the level of profitability, the better the company's performance will be and the more profits the company will get. The main existence of profitability aims for the long-term company in allocating resources optimally, developing products, and increasing market share. In its utilization, profitability has the ability to attract investors and gain access to additional funding for the company's growth. Executing a good profitability strategy can involve in-depth analysis of costs and revenues, identifying opportunities to increase profits, and maintaining a competitive advantage in the market.

Based on Table 3, profitability has a positive effect on financial distress, with a beta value 0.219 and the value of the sig 0064 > 0.05. The results of this test show that H4 **rejected**.

The results of this study are in line with the research conducted by (Nilasari Intan, 2021) and (Aji Panji Satrio, 2022) which states that Profitability has no effect on financial distress. This can happen because the smaller the profitability generated by the company, the greater the likelihood of financial distress. Thus, the results of the profitability test cannot be used as a company's strength in generating profits and existing assets, because the profits generated are relatively small.

The Effect of Liquidity on Financial Distress

Liquidity plays an important role in decision-making, as liquidity relates to a company's ability to meet a company's financial obligations. Liquidity is the ability of a company to pay off short-term obligations that have matured. When a company has high liquidity, it shows that the company has the ability to meet its obligations in a short time without experiencing difficulties. The existence of liquidity aims to maintain financial stability and face economic challenges. Liquidity can be used as a company to plan long-term investments, manage risks, and provide confidence to investors and creditors.

Based on Table 3, liquidity has a positive effect on financial distress, with a beta value 0.124 and the sig value is 0.203 > 0.05. The results of this test show that H5 **rejected**. The results of this study are in line with the research conducted by (Antoniawati Anita, 2022), (Muzharoatiningsih, 2022), (Putri Deanisyah Suryani, 2020) Liquidity has no effect on financial distress. The results of this test are not in line with the formulation of the hypothesis and signal theory where the company cannot provide signals to investors about the liquidity it has. An insignificant influence between liquidity and financial distress can occur because the sample companies that have been used have the ability to fund the company's operations in fulfilling short-term obligations with current assets that they own well so that there is no financial distress. Thus, liquidity is not appropriate as a factor to determine the condition of a company's financial distress.

CONCLUSION

Based on the results of research and discussion on the influence of corporate social responsibility, independent board of commissioners, cash flow, profitability, and liquidity on financial distress in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange for the 2021-2023 period, the following conclusions were obtained:

1. Corporate social responsibility has no effect on financial distress. This happened because the company was unable to disclose corporate social responsibility.
2. The independent board of commissioners has a positive and significant effect on financial distress. This is because the more independent boards of commissioners in the company show that the less potential the company will experience financial distress, because the large number of independent boards of commissioners will maximize the supervision and implementation of the company.
3. Cash flow has no effect on financial distress. This is because the lower the cash flow generated by the company, the higher the risk of unstable financial conditions so that it can cause the company to experience financial distress.
4. Profitability has no effect on financial distress. This can happen because the smaller the profitability generated, the greater the possibility of financial distress in the company.
5. Liquidity has no effect on financial distress. This is because the lower the liquidity in the company, the greater the risk of financial distress in the company because it is not financed by assets.

Limitations

Based on the results of this study, there are still limitations that are taken into consideration. The limitations are as follows:

1. There are several variables that cannot affect financial distress, namely corporate social responsibility, cash flow, profitability, and liquidity, so that the value produced is still relatively low and less than optimal in explaining the variables of financial distress.
2. This study only focuses on consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange, so the sample obtained is small and cannot consider other factors that can affect financial distress.
3. This research was carried out in a relatively short span of time, namely for 3 years, starting from 2021-2023.

Suggestion

Based on the limitations of the research results, the author will provide suggestions for further research, including:

1. In the next study, it is hoped that it can consider the independent variables that will be used, especially those that are estimated to affect financial distress, so that the results of the study are more accurate.
2. Expanding the scope of the research object, not only focusing on the consumer non-cyclicals sector, so that the sample obtained will be larger.
3. Extending the research period by more than 3 years to obtain more accurate results, so that it can show that the variables analyzed can detect companies experiencing financial distress.

ACKNOWLEDGMENT

This article is the output of project-based learning in the "Seminar Proposal" and "Accounting Research Statistics" courses.

REFERENCES

Adzroo Naomi Ulayya, S. D. H. (2023). Good Corporate Governance Dan Corporate Social Responsibility Terhadap Financial Distress Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode. *Jurnal Ilmiah Wahana Akuntansi*, *18*(1), 128–150. https://doi.org/10.21009/wahana.18.018

Aji Panji Satrio, A. S. (2022). Pengaruh Leverage, Profitabilitas, Likuiditas, Sales Growth dan Firm Size Terhadap Financial Distress Pada Perusahaan Pulp & Kertas dan Plastik & Kemasan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016-2020. *Jurnal Bina Bangsa Ekonomika*, *15*(10.46306).

Alfitri, D. N., Nugroho, W. S., & Nurcahyono, N. (2022). The Effect of Environment Performance, Capital Structure, and Company Size on Financial Performance. *MAKSIMUM: Media Akuntansi Universitas Muhammadiyah Semarang*, *12*(2), 175. https://doi.org/10.26714/mki.12.2.2022.175-184

Amanda, N. F., & Muslih, M. (2020). The Effect Of Operating Cash Flow, Independent Commissioners, Capital Structures On Financial Distress. *E-Proceeding of Managemen*, *7*(2), 1–23.

Antoniawati Anita, P. P. (2022). Analisis Pengaruh Profitabilitas, Likuiditas, dan Leverage Terhadap Financial Distress Pada Perusahaan Transportasi Yang Terdaftar Di BEI Tahun 2018-2020. *Jurnal Ilmu Manajemen*, *10*(1).

Arlina Nurulita, R., Samsul Ulum, A., & Ilmiani, A. (2021). Pengaruh Financial Indicators Dan Corporate Governance Terhadap Financial Distress. *Jurnal Ilmiah Akuntansi Dan Keuangan*, *4*(5), 256–267.

Darmiasih Ni Wayan Ray, Endiana I Dewa Made, P. I. G. A. A. (2022). Pengaruh Struktur Modal, Arus Kas, Good Corporate Governance dan Ukuran Perusahaan Terhadap Financial Distress. *Jurnal Kharisma*, *4*(1).

Faldiansyah Achmad Kevin, Arrokhman Dicky Beryl Kholif, S. N. (2020). Analisis Pengaruh Leverage, Ukuran Perusahaan, dan Arus Kas Terhadap Financial Distress. *Jurnal Bisnis*, *3*(2).

Fizabaniyah, R., Nurcahyono, N., Argojuwono, A. D. A., & Hernawati, R. I. (2023). Financial Ratio , Board Diversity and Financial Distress : Evidence from Indonesia. *International Conference on Business, Accounting, Banking, and Economics*, *1*, 307–320. https://doi.org/10.2991/978-94-6463-154-8

Hastuti, I. N., Ery Wibowo, R., & Nurcahyono, N. (2024). The Effect of Capital Adequacy Ratio, Non-Performing Loan and Debt Equity Ratio on Financial Performance. *Economics and Business International Conference*, *1*(1), 13–24. www.idx.co.id

Herianto, R. O., Alfiana, B. Z., Apriliyanti, F., Nurcahyono, N., Jatiningsih, D. E. S., & Wijayanti, P. (2023). What is The Company's Motivation for Doing CSR? An Analysis of Manufacturing Companies. *MAKSIMUM: Media Akuntansi Universitas Muhammadiyah Semarang*, *13*(2), 209. https://doi.org/10.26714/mki.13.2.2023.209-217

Ifada, L. M., Ghoniyah, N., & Nurcahyono, N. (2023). How Do Tax Avoidance and Profitability Influence a Firm'S Intrinsic Value? *Jurnal Akuntansi Multiparadigma*, *14*(1), 115–125. https://doi.org/10.21776/ub.jamal.2023.14.1.08

Isdina Senny Hardiani, P. W. W. R. (2021). Pengaruh Laba dan Arus Kas Terhadap Kondisi Financial Distress. *Jurnal Ilmiah Akuntansi Kesatuan*, *9*(1), 147–158.

Khansa, L., Nugroho, W. S., & Nurcahyono, N. (2022). The Effect of Liquidity, Leverage, Profitability and Firm size on Financial Distress with GCG as a Moderation Variable. *MAKSIMUM: Media Akuntansi Universitas Muhammadiyah Semarang*, *12*(2), 143. https://doi.org/10.26714/mki.12.2.2022.143-153

Khasanah, S. N. U., & Nurcahyono, N. (2021). Capacity, Pengaruh Operating Growth, Sales Dan, Arus K A S Terhadap, Leverage Distress, Financial. *Jurnal Sustainable*, *2*(2), 357–371.

Maronrong, R., Suriawinata, I. S., & Septiliana, S. (2022). Pengaruh Profitabilitas, Leverage, Operating Capacity dan Corporate Governance terhadap Financial Distress Perusahaan Ritel di BEI Tahun 2011-2017. *Jurnal Akuntansi Dan Manajemen*, *19*(02), 91–103. https://doi.org/10.36406/jam.v19i02.743

Maryam & Yuyetta, E. N. A. (2019). Analisis Pengaruh Mekanisme Corporate Governance Terhadap Probabilitas Terjadinya Financial Distress. *Diponegoro Journal of Accounting*, *8*(3), 1–11.

Muzharoatiningsih, H. U. (2022). Pengaruh Rasio Keuangan, Sales Growth, dan Ukuran Perusahaan Terhadap Financial Distress Pada Sektor Industri Barang Konsumsi Di BEI Periode 2017-2020. *Jurnal Ilmu Manajemen*, *10*.

Nilasari Intan. (2021). Pengaruh Corporate Governance, Financial Indicators, dan Ukuran Perusahaan Terhadap Financial Distress. *Competitive Jurnal Akuntansi Dan Keuangan*, *5*(2).

Nugrahanti, Y. W. (2021). Pengaruh Pengungkapan Corporate Social Responsibility terhadap Financial Distress Dengan Mekanisme Corporate Governance sebagai Pemoderasi. In *Simposium Nasional Perpajakan* (Vol. 1, Issue 1).

Nurcahyono, N., Sinarasri, A., Pamungkas, I. D., & Hanum, A. N. (2023a). May intellectual capital and corporate governance reduce the probability of financial distress? *Contaduria y Administracion*, *70*(1), 97–121. https://doi.org/10.22201/fca.24488410e.2025.5169

Nurcahyono, N., Sinarasri, A., Pamungkas, I. D., & Hanum, A. N. (2023b). May intellectual capital and corporate governance reduce the probability of financial distress? *Contaduria y Administracion*, *70*(1), 97–121. https://doi.org/10.22201/fca.24488410e.2025.5169

Nurcahyono, N., Sukesti, F., Alwiyah, A., & Ermawati, D. (2024). Financial Ratio, Good corporate governance and Financial Distress: A Grover Model at a Transportation Firm. *Proceedings of the 1st International Conference on Economics and Business, ICEB 2023, 2-3 August 2023, Padang, Sumatera Barat, Indonesia*. https://doi.org/10.4108/eai.2-8-2023.2341490

Nurcahyono, N., Sukesti, F., & Haerudin, H. (2022). The Effect of Good Corporate Governance Mechanisms, Financial Ratio, and Financial Distress: A Study on Financial Companies. *ICBAE*. https://doi.org/10.4108/eai.10-8-2022.2320848

Oktavianti Bela, Hizai Achmad, M. A. (2020). Pengaruh Likuiditas, Profitabilitas, Leverage dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Periode Tahun 2015-2018. *Jambi Accounting Review (JAR)*, *1*(1), 20–34.

Pancawitri, S., & Dillak, V. J. (2022). Pengaruh Operating Capacity, Ukuran Perusahaan, Gender Diversity dan Mekanisme Pengawasan terhadap Financial Distress. *SEIKO : Journal of Management & Business*, *5*(2), 473–481. https://doi.org/10.37531/sejaman.v5i2.2017

Pandapotan, F., & Puspitasari, F. (2022). The Effect of Cash Flow, Board Independence, and Company Size on Financial Distress. *Saudi Journal of Economics and Finance*, *6*(9), 311–318. https://doi.org/10.36348/sjef.2022.v06i09.003

Permatasari, M., Nurcahyono, N., Bilqis, L. K., & Nugroho, W. S. (2023). The Effect of Good Corporate Governance and Financial Ratios on Financial Distress. *International Conference on Business, Accounting, Banking, and Economics*, *1*(1), 321–336. https://doi.org/10.2991/978-94-6463-154-8

Purwaningsih, E., & Safitri, I. (2022). Pengaruh Profitabilitas, Likuiditas, Leverage, Rasio Arus Kas dan Ukuran Perusahaan Terhadap Financial Distress. *JAE (Jurnal Akuntansi Dan Ekonomi)*, *7*(2), 147–156. https://doi.org/10.29407/jae.v7i2.17707

Putri Deanisyah Suryani, E. N. (2020). Pengaruh Rasio Keuangan, Ukuran Perusahaan dan Biaya Agensi Terhadap Financial Distress (Studi Empiris Pada Perusahaan Ritel Yang Terdaftar di BEI Tahun 2016-2018). *Jurnal Eksplorasi Akuntansi*, *2*(1), 2083–2098.

Ramadhani, P. I. (2022). Trivia Saham: Mengenal Sektor Consumer Cylical dan Non Cylical. *Liputan6*, 1.

Ramadhanti Novelina Caesar, S. (2022). Pengaruh Corporate Governance, Cash Flow dan Profit Terhadap Financial Distress Perusahaan Manufaktur Di Bursa Efek Indonesia. In *Trilogi Accounting and Business Research* (Vol. 03, Issue 01).

Rizky, Y., Dwii Melli, & Agus, P. (2023). Pengaruh Corporate Governance dan Corporate Social Responsibility Terhadap Financial Distress. *Diponegoro Journal of Accounting*, *12*(2), 1–12.

Sa'diah, W. M., & Utomo, M. N. (2021). Peran Good Corporate Governance Dalam Meminimalisir Terjadinya Financial Distress. *BISMA: Jurnal Bisnis Dan Manajemen*, *15*(1), 36. https://doi.org/10.19184/bisma.v15i1.21322

Santoso, S. indra. (2017). Pengaruh Laba, Arus Kas Dan Corporate Governance Terhadap Financial Distress (Studi pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2011-2015). *Al-Buhuts*, *13*(01), 01–22. https://doi.org/10.30603/ab.v13i01.428

Saputra Andrew Jaya, S. S. (2020). Pengaruh Profitabilitas, Leverage, Firm Size, dan Sales Growth Terhadap Financial Distress. In *Jurnal Multiparadigma Akuntansi Tarumanagara* (Vol. 2, Issue 1). Pengaruh Profitabilitas.

Spence, M. (1973). Job Market Signaling. In *Source: The Quarterly Journal of Economics* (Vol. 87, Issue 3).

Stepani, P. N., & Nugroho, L. (2023). Pengaruh Profitabilitas, Likuiditas, Leverage, dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Consumer Non-Cyclicals yang Terdaftar di Bursa Efek Indonesia Periode 2019-2021. *Journal of Trends Economics and Accounting Research*, *3*(3), 194–205. https://doi.org/10.47065/jtear.v3i3.551

Sugiyono. (2022). *Metode Penelitian Kuantitatif, Kualitatif, dan R & D*.

Syuhada, P., Muda, I., Akuntansi, M., & Ekonomi dan Bisnis, F. (2020). Pengaruh Kinerja Keuangan dan Ukuran Perusahaan Terhadap Financial Distress pada Perusahaan Property dan Real Estate di Bursa Efek Indonesia. *Jurnal Riset Akuntansi Dan Keuangan*, *8*(2), 319–336. https://doi.org/10.17509/jrak.v8i2.22684

Timoty, N. F. M., Nurcahyono, N., Yasaputri, K., & Jatiningsih, D. E. S. (2022). Predicting the risk of financial distress using corporate governance measures. *International Conference on Business, Accounting, Banking, and Economics*, *68*, 228–245. https://doi.org/10.1016/j.pacfin.2020.101334

Usman Senandung Nacita, Rinofah Risal, M. A. (2022). Pengaruh Good Corporate Governance terhadap Financial Distress pada Perusahaan Manufaktur yang Terdaftar di BEI. *Jurnal Kolaboratif Sains ISSN*, *05*(07).

Wardana, N. B., Mutyarawati, H., Purwidyasari, S. M., Lestari, H. S., & Leon, F. M. (2023). The Effect of Corporate Social Responsibility and Corporate Governance on Financial Distress in Manufacturing Sector Companies. *Jurnal Keuangan Dan Perbankan*, *27*(2), 250–262. https://doi.org/10.26905/jkdp.v27i2.10685