Financial Distress Solutions through Improved Financial Performance and GCG with CSR as Moderating Variable for Consumer Services Companies

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ABSTRACT

The Covid-19 pandemic has reduced Indonesia's state revenue in the tourism industry. The crisis is caused by Covid-19 pandemic that impact companies making it difficult to run their business. As a result, financial performance and corporate governance can be disrupted. This study intends to analyze and determine the power of companies' financial performance and good corporate governance (GCG) in preventing and overcoming conditions of financial distress in a consumer services company. Based on purposive sampling, the data for this research are 21 consumer services companies listed on the Indonesia Stock Exchange 2019-2021. This study also examines interactions Corporate Social Responsibility (CSR), which is a moderating variable. This research is descriptive with a quantitative explanatory approach. This research method uses panel regression data analysis. Financial distress in research is measured by Debt Service Coverage (DSCR). Researchers found that liquidity has a positive effect on DSCR, and ownership concentration has a negative effect on DSCR. While profitability, the board size, and gender diversity do not affect DSCR. CSR can strengthen the effect of profitability on DSCR, CSR can weaken the effect of liquidity on DSCR, and CSR can strengthen the effect of ownership concentration on DSCR. This study suggests that the company's consumer services should focus on financial performance and corporate governance, especially on liquidity and concentration of ownership, to overcome problems of financial distress.

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1. INTRODUCTION

Indonesia is an archipelagic country rich with beautiful underwater resources, unique culture, and traditions handed down from ancestors, which are the main attraction for foreign tourists. This attraction puts Indonesian tourism in the ranking position travel and Tourism Competitiveness Index (TTCI) is ranked 44 out of 117 countries based on data World Economy Forum 2022. Meanwhile, the Asia Pacific countries are in the eighth largest ranking in the region. This shows that Indonesia's tourism potential is enormous. However, there is an increasing number of confirmed cases covid-19 which lowers the level of tourists visiting Indonesia.

In the tourism trend book, the Ministry of Economy and Creative (2021) explains that the consequences of covid-19 have reduced state revenues by 20.7 billion rupiah from the tourism zone. This is due to the global covid-19 pandemic that forces the government to policies in the form of social restrictions and the closing of immigration doors. This policy adopted by the government hindered the course of economic and business activities in Indonesia, especially in the tourism industry. The tourism industry into the sub-sector of consumer services on the Indonesian Stock Exchange.

This restriction policy affects the operational activities of sub-sector companies' consumer services (tourism, restaurants, and hotels) from input activities to product/service outgoing to consumers are not going well (Gitman and Zutter, 2015). This can disrupt cash flow, especially in generating company profits. If this happens, the company will face an unwanted financial situation. This condition can threaten a company's finances so that the company's activities decrease, even affecting the company's financial condition in a problematic condition.

A company experiencing a financial situation like this is known as financial distress, which describes an unhealthy financial position or a crisis for the company. If this matter continues and is not handled correctly, it can lead to bankruptcy (Sihombing, 2018). The financial condition of a company that is sick or in trouble is generally caused by the losses experienced by the company. Not only that, due to the low liquidity of a company, the company cannot carry out its business properly and fulfill its obligations.

Financial distress is also a financial risk that can arise when running a business (Mahaningrum and Merkusiwiati, 2020). These problems must be minimized so that managers can formulate appropriate strategies and policies for the company and avoid future problems.

A company's financial position in an unhealthy situation can be measured using financial ratios. The ratio used is Debt Service Coverage Ratio (DSCR) of the company (Pranowo et al., 2010). If the DSCR is less than 1.2 (DSCR <1.2), the company is in an unhealthy financial condition or is considered to be experiencing financial distress. This ratio illustrates the cash inflows received to pay off short-term and long-term obligations.
Based on Figure 1, it can be seen that the average trend of Debt Service Coverage Ratio (DSCR) for Consumer Services Companies for the 2019-2021 period has decreased from year to year. The average DSCR of companies in the consumer services sector in 2019 is in a healthy financial condition. While in 2020, consumer services companies will experience a decline. This shows that company’s financial condition is not healthy due to the Covid-19 pandemic in Indonesia. In 2021, even though the average DSCR value is -0.58, it has increased from previous year. The lower level of the DSCR ratio of a company indicates that the company's finances are experiencing financial distress.

This shows that the management of consumer services companies must make the right decisions for the company's sustainability in the future. Decisions can be made by knowing the financial performance of the company. Rahmawati and Khoiruddin (2017) explain that a company's financial performance is calculated by calculating financial ratios in evaluating and making decisions on the company's financial strategy.

In addition to the company's financial performance, it is essential to prevent the company from being in an unhealthy financial situation using the Good Corporate Governance (GCG) approach. Good Corporate Governance (GCG) is a system that controls how it makes decisions in running a company to achieve its goals (Yuliani and Rahmatiasari, 2021).

A good company owns corporate governance; the better the company makes decisions; it will minimize the occurrence of financial distress conditions. Vice versa, poor corporate governance will result in financial distress for the company. So, the factors that influencing financial distress, namely financial performance are profitability and liquidity (Isayas, 2021). While, good corporate governance of a company that affects financial distress include board size, ownership concentration, and board gender diversity (Abugri, 2022).

Financial difficulties that occur in companies and individuals cause problems for economic actors; therefore, it is crucial to prevent and overcome issues of financial challenges that arise
in business with research through the company's financial performance and governance (GCG) that focuses on profitability, liquidity, the board size, ownership concentration, board gender diversity, and CSR as moderating variables. This research aims to develop a method for overcoming financial difficulties through a financial performance and GCG approach.

2. RESEARCH METHODS

This study aims to explain the description of a phenomenon and the prevention of financial distress as the dependent variable (Y). The independent variables (X) used in this study are profitability, liquidity, board size, ownership concentration, and board gender diversity, with corporate social responsibility as a moderating variable.

The results of this study were obtained through panel data regression analysis using EViews 12 software, which was also used to determine the effect of profitability, liquidity, board size, ownership concentration, and board gender diversity to prevent and overcome financial distress.

This research is descriptive with a quantitative explanatory approach, namely a study whose purpose is to explain the relationship between the variables studied and to describe these variables quantitatively. This research is called quantitative data because it is based on concrete, empirical, measurable, rational, and systematic calculations to prove the research hypothesis (Hardani et 2020).

The data used in this study is secondary data collected by another party, namely the Indonesia Stock Exchange (IDX). The data used is the annual financial reports of consumer services sub-sector companies in 2019-2021.

The sampling method in this study was to determine the sample through specific considerations (purposive sampling) (Suharyadi and Purwanto, 2017). Then the characteristics of the model determined are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Information</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Company Totals <em>consumer services</em> listed on the Indonesia Stock Exchange for the 2019-2021 period</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>Company <em>consumer services</em> that are not listed on the Indonesia Stock Exchange for the 2019-2021 research period</td>
<td>(12)</td>
</tr>
<tr>
<td>3</td>
<td>Companies that do not have complete annual financial reports for the 2019-2021 period</td>
<td>(10)</td>
</tr>
<tr>
<td>4</td>
<td>Outlier company</td>
<td>(4)</td>
</tr>
</tbody>
</table>

**Number of research samples** 21

*Source: Data Processed (2023)*
Variable Definition and Operationalization

Financial Distress
Ruster (1996) describes a company in a default condition, so the company has a Debt Services Coverage ratio of less than 1.2. The condition of financial distress can be determined by the size of the DSCR. The reason is that the company experienced a decline when it had lower EBITDA for two consecutive years. A company's DSCR is measured by comparing earnings before interest, depreciation, and amortization (EBITDA) with the total principal and interest payments (Ufo, 2015). Then financial distress is formulated as follows:
\[ \text{DSCR} = \frac{\text{EBITDA}}{\text{Principal}+\text{Interest}} \]

Profitability
Return on Asset measures the profitability ratio, which describes company profits generated from utilizing total assets (Isayas, 2021). The higher ratio, the better the profitability of a company. Then the formulation of profitability is:
\[ \text{RoA} = \frac{\text{Earnings after tax}}{\text{total asset}} \]

Liquidity
The Current ratio measures the liquidity level of a company through short-term debt payments (Isayas, 2021). A ratio above 1 indicates a healthy outcome. A ratio between 0 and 1 is an unhealthy financial ratio. Then the current ratio can be formulated as follows:
\[ \text{CR} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \]

Board Size
Board size is the total number of board of directors’ structures owned by a company (Hassan, 2022). Board size indicates that a large group can supervise more focused management. Then the board size variable is formulated as follows:
\[ \text{BS} = \text{a number of directors} \]

Ownership Concentration
Ownership concentration is the most significant percentage of share ownership from other shareholders. Then it is formulated as follows:
\[ \text{OC} = \text{percentage of the largest shareholder} \]

Board Gender Diversity
Board Gender Diversity is the diversity of board members owned by companies based on gender (Abugri, 2022). Then it is formulated as follows:
\[ \text{BGD} = \frac{\text{A number of female board members}}{\text{total a number of boards}} \]

Corporate Social Responsibility
Calculation of CSR using the approach content Analysis and dichotomy: This assessment composes qualitative information with a score for each CSR item disclosed by the company. If disclosed is rated 1 and 0 if not disclosed. Furthermore, the score results will be added to get each company's overall CSR value (Wiryana and Sudana, 2019). So, CSR measures with adopted GRI G4 (Global Reporting Initiative G4 versions) as follows:
\[ \text{CSRD}_i = \Sigma X_i / n \]
Information:
CSR: Corporate Social Responsibility Disclosure
Xi: the number of items disclosed by the company
n: total item based on GRI G4= 91 items

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dimensions</th>
<th>Formulas</th>
<th>Scales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Distress</td>
<td>DSCR</td>
<td>EBITDA/Principal+interest</td>
<td>Ratio</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>RoA</td>
<td>Earnings after tax/Total asset</td>
<td>Ratio</td>
</tr>
<tr>
<td>Profitability</td>
<td>CR</td>
<td>Current asset/Current liabilities</td>
<td>Ratio</td>
</tr>
<tr>
<td>Liquidity</td>
<td>BS</td>
<td>A number of directors</td>
<td>Ratio</td>
</tr>
<tr>
<td>GCG</td>
<td>OC</td>
<td>Percentage of the largest shareholder</td>
<td>Ratio</td>
</tr>
<tr>
<td>Board size</td>
<td>BGD</td>
<td>A number of female board members/total a number of boards</td>
<td>Ratio</td>
</tr>
<tr>
<td>Ownership Concentration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Gender Diversity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderating</td>
<td>CSR</td>
<td>ΣXi/n</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

3. RESULTS & DISCUSSION

Statistics Description
Based on sample data obtained from secondary data sources, namely financial statements of consumer services companies in 2019-2021 published on the Indonesia Stock Exchange. So, the picture obtained from the variables used in this study can be seen by the number of samples (N), the average value (Mean), the minimum value (Min), the maximum value (Max), and the standard deviation (Std. Dev). The following is a descriptive statistical analysis of the company's consumer services listed on the Indonesia Stock Exchange, namely:

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSCR</td>
<td>63</td>
<td>0.598</td>
<td>44.147</td>
<td>-27.552</td>
<td>7.806</td>
</tr>
<tr>
<td>ROA</td>
<td>63</td>
<td>-0.039</td>
<td>0.134</td>
<td>-0.257</td>
<td>0.072</td>
</tr>
<tr>
<td>CR</td>
<td>63</td>
<td>2.550</td>
<td>25.623</td>
<td>0.036</td>
<td>4.200</td>
</tr>
<tr>
<td>BS</td>
<td>63</td>
<td>4.190</td>
<td>8.000</td>
<td>2.000</td>
<td>1.615</td>
</tr>
<tr>
<td>OC</td>
<td>63</td>
<td>0.559</td>
<td>0.847</td>
<td>0.269</td>
<td>0.161</td>
</tr>
<tr>
<td>BGD</td>
<td>63</td>
<td>0.159</td>
<td>0.571</td>
<td>0.000</td>
<td>0.166</td>
</tr>
<tr>
<td>CSR</td>
<td>63</td>
<td>0.232</td>
<td>0.462</td>
<td>0.077</td>
<td>0.103</td>
</tr>
</tbody>
</table>

Source: Data Processed (2023)
Panel Data Regression Model Selection

Chow Test

This test aims to choose a model common effect or fixed effect, which will be used in analyze panel data regression. The results of the Chow test for selecting the selected model are as follows:

<table>
<thead>
<tr>
<th>Table 4. Chow test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effects Test</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
</tr>
</tbody>
</table>

Based on the chow test offered above, the Cross-section probability is equal to 0.0012, which is more than alpha (0.05). to accept H1. It can be concluded that the selected model is a the fixed-effect model.

Hausman test

This test chooses between the fixed effect model or random effect, which is most appropriate for use in panel data regression. According to the results of the Hausman test, the selection of the suitable model is as follows:

<table>
<thead>
<tr>
<th>Table 5. Hausman test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Summary</td>
</tr>
<tr>
<td>Cross-section random</td>
</tr>
</tbody>
</table>

Based on the table above, the Hausman test results show a random cross-section probability value of 0.0011 < alpha (0.05). Thus, the fixed effect model is the appropriate model estimation for using panel data regression.

<table>
<thead>
<tr>
<th>Table 6. Conclusion of Model Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Test</td>
</tr>
<tr>
<td>Chow Test</td>
</tr>
<tr>
<td>Hausman test</td>
</tr>
</tbody>
</table>

Based on table 6 shows that the results of the two tests above show the same results, namely fixed effect model is the best model. Then testing the Lagrange Multiplier test is not needed.

Panel Data Regression Equations

Based on the panel data regression analysis method used to know and analyze the linear relationship between the independent variables and the dependent variable using a moderating variable. In other words, to find out and analyze the influence of Profitability, Liquidity,
board size, ownership concentration, and board gender diversity on financial distress with CSR as moderation. The general equation for panel data is:

\[ \text{FD}_{i,t} = \alpha + \beta_1 \text{ROA}_{i,t} + \beta_2 \text{CR}_{i,t} + \beta_3 \text{BS}_{i,t} + \beta_4 \text{OC}_{i,t} + \beta_5 \text{BGD}_{i,t} + \beta_6 \text{ROA}_{CSR_{i,t}} + \beta_7 \text{CR}_{CSR_{i,t}} + \beta_8 \text{BS}_{CSR_{i,t}} + \beta_9 \text{OC}_{CSR_{i,t}} + \beta_{10} \text{BGD}_{CSR_{i,t}} + e_{i,t} \] 

(1)

and then the equation model from the panel data regression results can be arranged as follows:

\[ \text{FD}_{i,t} = -0.578 - 9.988 \text{ROA} + 3.471 \text{CR} + 0.656 \text{BS} - 12.625 \text{OC} + 3.911 \text{BGD} + 177.961 \text{ROA}_{CSR} - 8.671 \text{CR}_{CSR} - 2.440 \text{BS}_{CSR} + 43.575 \text{OC}_{CSR} - 1.135 \text{BGD}_{CSR} \] 

(1)

Panel data has the advantage of being a more accurate inference model parameter. This because the data studied are more numerous (cross-sectional and time series data), increasing the degree of freedom and reducing the collinearity between variables, in addition, panel data is used to control for the impact of the omitted variable (heterogeneity). Therefore, based on the advantages of panel data, this study does not require a classical assumption test. Ahmaddien and Susanto (2020) also explained that panel data regression is the Best Linear Unbiased Estimation (BLUE). So that panel data is efficient and has no bias.

Model Test (F-Test)

The model test (F) aims to test all independent variables in this study to determine whether they simultaneously affect the dependent variable.

<table>
<thead>
<tr>
<th>Table 7. F-Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistics</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>5.9822</td>
</tr>
</tbody>
</table>

*Source: Data Processed (2023)*

Based on the table above, the results of the model test (F test) for the panel data regression equation show a probability level (p-value) of 0.000 < \( \alpha = 0.05 \), so the decision is \( H_0 \) rejected. This means that the independent variables, namely Profitability, Liquidity, board size, ownership concentration, and board gender diversity, can explain the significant relationship to the dependent variable (financial distress). So it can be concluded that the regression model in this study is worthy of further investigation.

Coefficient of determination (R Squared)

The coefficient of determination is carried out to determine how far the model can explain the independent variable to the dependent variable. The closer to the number one or 100, the independent variable can predict the dependent variable. R-squared analysis results in this study are as follows:

<table>
<thead>
<tr>
<th>Table 8. Coefficient of Determination Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
</tr>
</tbody>
</table>

*Sources: Data Processed (2023)*

The R squared value in the table above is 0.8486, which means that the behavior changes from the independent variables (profitability, liquidity, board size, ownership concentration, and board gender diversity) able to explain the dependent variable (financial distress) of
84.86% and while the remaining 15.14% (100% - 84.86%) is a factor of other independent variables but is not included in the model.

Hypothesis Test (t-test)

The t-test is used to find out that the independent variables, namely profitability, liquidity, board size, ownership concentration, and board gender diversity, have a significant influence on the dependent variable, namely financial distress, with CSR as a moderating variable. If the significance level is less than $\alpha$ (0.1), then $H_1$ be accepted. The results of the t-test are as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Sig.</th>
<th>Hypothesis</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>-9.988</td>
<td>0.4359</td>
<td>$H_1$ Rejected</td>
<td>No influential</td>
</tr>
<tr>
<td>CR</td>
<td>3.471</td>
<td>0.0009</td>
<td>$H_2$ Accepted</td>
<td>Influential</td>
</tr>
<tr>
<td>BS</td>
<td>0.656</td>
<td>0.3965</td>
<td>$H_3$ Rejected</td>
<td>No influential</td>
</tr>
<tr>
<td>OC</td>
<td>-12.625</td>
<td>0.0677</td>
<td>$H_4$ Accepted</td>
<td>Influential</td>
</tr>
<tr>
<td>BGD</td>
<td>3.911</td>
<td>0.7745</td>
<td>$H_5$ Rejected</td>
<td>No influential</td>
</tr>
<tr>
<td>ROA_CSR</td>
<td>177.961</td>
<td>0.0034</td>
<td>$H_6$ Accepted</td>
<td>Moderation</td>
</tr>
<tr>
<td>CR_CSR</td>
<td>-8.671</td>
<td>0.0021</td>
<td>$H_7$ Accepted</td>
<td>Moderation</td>
</tr>
<tr>
<td>BS_CSR</td>
<td>-2.440</td>
<td>0.2950</td>
<td>$H_8$ Rejected</td>
<td>No moderation</td>
</tr>
<tr>
<td>OC_CSR</td>
<td>43.575</td>
<td>0.0312</td>
<td>$H_9$ Accepted</td>
<td>Moderation</td>
</tr>
<tr>
<td>BGD_CSR</td>
<td>-1.135</td>
<td>0.9739</td>
<td>$H_{10}$ Rejected</td>
<td>No moderation</td>
</tr>
</tbody>
</table>

Sources: Data Processed (2023)

Effect of Profitability on DSCR

The results of this study state that profitability does not affect the DSCR of the company consumer services period 2019-2021. This research does not follow the first hypothesis and research conducted by Dirman (2020), which states that profitability positively affects financial distress. The greater the level of profit generated, the higher the financial distress measured by the DSCR. Profitability shows the availability of funds obtained from the productivity of its assets effectively and efficiently so that the company does not suffer financial distress.

This study’s results follow research conducted by Saraswati and Njotoprajitno (2022), which states that profitability does not affect financial distress. This is because the company has negative finances but can still finance its obligations and other expenses using other internal and external sources of funds, such as its own capital and retained earnings (Antoniawati and Purwohandoko, 2022). Therefore, this variable is not the correct measurement to overcome financial distress.

This research is supported by Maulana and Suhartati (2022) and Limbong et al. (2022), which explain that profitability does not affect financial distress. Because the ROA value is not an indicator that influences it, the company has sufficient capital to bear financial risks with proper expense management. In addition, the ROA decreased due to less efficient asset
productivity. This research is in line with the findings of Khan and Kong (2022) and Saraswati and Njotoprajitno (2022), which explain that profitability does not affect financial distress.

**Effect of liquidity on DSCR**

The results of this study state that liquidity positively affects DSCR in companies' consumer services period 2019-2021. This study follows the second hypothesis and research conducted by Rafatnia et al. (2020), which states that liquidity positively affects financial distress. Where the higher the level of liquidity, the increase the DSCR. This means that the higher the liquidity ratio the company has, the higher the DSCR the company has. This shows that a liquid company can keep the company from failing to pay its debts. With this, the company's financial condition is healthy, and not experiencing financial distress.

This research is supported by Mutiara and Septyanto (2022), explaining the results of calculations from comparing a company's total current assets with a high company's total current debt, the higher the company's capability to meet its short-term obligations and be able to overcome financial distress.

This research is in line with the findings of Ginting (2017) and Hendrawan et al. (2022), namely that liquidity positively affects financial distress. This research is also supported by Septyanto et al. (2019), who explains that liquidity positively affects financial distress.

**Effect of Board Size on DSCR**

The results of this study state that board size has no effect on DSCR in the company consumer services period 2019-2021. This study's results do not follow the third hypothesis, and research conducted by Atosh and Iraya (2018) suggests that board size has a positive effect on financial distress. The larger the board size owned by the company, the higher the DSC ratio. The size of the board shows the board of directors' effectiveness in supervising and making financial decisions to maintain debt services, so that debt payment failure does not occur.

The results of this study are per the research of Hassan (2022), which said board size did not affect financial distress. This is because the board of directors has information regarding a company's financial condition, but decisions and policies must be discussed in advance at the General Meeting of Shareholders (GMS) (Cinantya & Merkusiwati, 2015). Thus, the large number of board sizes does not affect the occurrence of financial distress. This is in line with the research of Arrum and Wahyono (2021), which explains that board size has no effect on financial distress.

The results of this study are supported by the findings of Nasir and Ali (2018) and Anning et al. (2021), which explain that board size does not affect financial distress.

**Effect Ownership Concentration on DSCR**

The results of this study stated that ownership concentration has a negative effect on DSCR in the company consumer services period 2019-2021. This study does not follow the fourth hypothesis and research conducted by Uduwalage (2021), which explains that ownership concentration positively affects financial distress. The higher is ownership concentration, the
more the DSCR will increase. Ownership concentration This shows that investors who have concentrated shares have more rights and abilities to regulate and decide on policies that must be taken by company management. Therefore, investors will focus on supervising management to pay debts on time so as not to experience financial distress.

This study's results follow the research of Salasiwa and Tricahyadinata (2021), which says ownership concentration has a negative effect on DSCR. The greater the concentrated stock, the lower the DCR, thus increasing its financial distress. This means that the company has few investors to supervise and control management. At least a number of investors need large funds to overcome financial distress. The results of this study are confirmed by Atosh and Iraya (2018), which have a negative effect on financial distress.

**Effect of Board Gender Diversity on DSCR**

The results of this study state that board gender diversity does not affect DSCR consumer services period 2019-2021. The results of this study are not following the fifth hypothesis and research conducted by Abugri (2022), which explains that the gender diversity board has a positive influence on financial distress. The more significant the proportion of women on board members, the greater the DSCR of a company. Meaning that the characteristics possessed by a woman, namely prudence in making decisions on the use of debt, the company does not experience financial distress.

The results of this study are per the research of Almarita and Kristanti (2020), which says the gender diversity board does not affect financial distress. This is because a woman has an intrinsic nature, tends to be less confident, and is more conservative than men (La Rocca et al., 2019). due to the female personality, the company has a small number of female board members. Viewed from the bottom board gender diversity owned by the company consumer services 2019-2021 with a score of zero, this shows many companies still don't believe that women should make up the board. This research is reinforced by Atosh and Iraya (2018) findings that board gender diversity does not affect financial distress.

**Effect of Profitability on DSCR moderated by CSR**

The results of this study state that CSR moderates Profitability to DSCR. These results follow the sixth hypothesis. CSR is considered to strengthen the profitability relationship with DSCR. A high-profit level illustrates that the company has internal funds. If the company has a good reputation, it will add profit to the company. The excellent reputation of a company will be a consideration for investors to invest and customers wish to buy the company's products (Sandi and Andayani, 2020). This gives the company income so that the company does not experience financial distress.

A high-profit level indicates that the company has cash and can pay its obligations through short-term and long-term debt. CSR has principles related to profit, where companies aim at economic benefits to make the company sustainable (Octaviani et al., 2022). Therefore,
companies can generate significant earnings because CSR acts as a means of promoting products and services. Cahyoputro and Hadiprajitno (2022) CSR affects financial distress.

**Effect of Liquidity on DSCR moderated by CSR**

The results of this study state that CSR moderates the effect of liquidity on DSCR. These results are following the seventh hypothesis. CSR is considered to weaken the impact of liquidity on financial distress. Liquidity describes the level of smoothness of the company in paying the debt. The amount of liquidity then increases the company's DSCR. It means lowering the level of financial distress.

Sandi and Andayani (2020) explained that the high level of company liquidity illustrates that the company is large-scale. This will attract a number of investors to invest in the company. When the implementation of a company's CSR activities is high, it will weaken the influence of liquidity by financial distress. This is because when companies increase liquidity, they also carry out CSR so that large companies issue the funds. To avoid financial distress, it is better to fulfill its obligations first. Purwaningsih and Aziza (2019) stated that CSR affects financial distress.

**Effect of board size on DSCR moderated by CSR**

The results of this study state that CSR does not moderate board size against DSCR. The results of this study are not following the eighth hypothesis. Board size is proxied by the board of directors as agents who are directly involved in the company's operational activities. Besides that, having a large number of directors, company policies and strategies, and overseeing planning will be effective and efficient (Kurniawati, 2016). Therefore, the directors prefer to focus on operational strategies to increase finances without carrying out CSR activities.

**Effect of ownership concentration on DSCR moderated by CSR**

The results of the study stated that CSR moderate ownership concentration on DSCR. These results follow the ninth hypothesis that CSR is considered to strengthen the effect of ownership concentration on DSCR. The ability of investors who own concentrated shares has more rights in making debt decisions owned by companies (Barnea and Rubin, 2010). The existence of CSR provides a good image for the company so that it can attract investors to invest their funds (Khoirunnisa and Muhammad, 2022). However, the existence of CSR affects the number of shareholder shares. Research by Utami et al. (2021) states that CSR affects financial distress.

**Effect of board gender diversity on DSCR moderated by CSR**

The study's results stated that CSR did not moderate the gender diversity board on financial distress. The results of the study do not follow the ten hypothesis. CSR has principles related to people, where companies have concern for the prosperity, welfare, and safety of humans, for example, employees. Companies recruit employees without discriminating against gender (Octaviani et al., 2022). The higher the welfare, balanced by the high gender diversity of employees owned by the company, the less the company will experience financial distress.
However, so far, consumer services companies for the 2019-2021 period have few female board members.

4. CONCLUSIONS & SUGGESTIONS

The conclusion from the results of this study is that liquidity has a positive effect on DSCR, and ownership concentration has a negative effect on DSCR. While CSR moderates the effect of profitability, liquidity, and ownership concentration on financial distress. Thus, liquidity and ownership concentration are effective strategies for dealing with financial distress.

The results of this study can provide theoretical benefits in knowledge development activities related to financial performance and effective corporate governance to overcome financial distress. The results of this study are expected to contribute to the management of consumer services companies who, will make decisions to prevent and avoid financial distress conditions, and should maintain a good level of liquidity. The ownership concentration side shows that concentrated share ownership by majority holders has excellent control, which can increase financial distress so that management's oversight of responsibility is better shared with minority shareholders. While contributing to investors, Investors knowing the company's financial health should pay attention to the liquidity factor to see the company's financial performance. Investors can take part in controlling the company by looking at the concentration of company share ownership.

This research has limitations. Namely, this research uses data for three years with a total sample of 21 companies in the consumer services sector listed on the Indonesia Stock Exchange for the 2019-2021 period. It is hoped that in further research, updating objects, for example, industry trade and investment, and increasing the period to 5 years. This can expand the research. In addition, the variables observed in this study are still minimal, so in future research, it is necessary to observe other variables that affect financial distress, such as board vigilance.

REFERENCES


