The Effect of Risk Disclosure, Non-Performing Loans and Operational Cash Flows on Financial Distress with Corporate Governance as a Moderating Variable

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Abstract. The purpose of this study is to examine the effect of risk disclosure, non-performing loans, and operating cash flows on the financial distress of banking companies with corporate governance as a moderationg variable. The data is obtained from the company's annual financial reports which are downloaded on the website www.idx.co.id. The sampling method uses purposive sampling with the criteria that companies are listed on the IDX from 2017-2019, financial reports are in Rupiah currency, companies publish financial reports and annual reports every year. Companies that meet the criteria are 42 out of 45 banking companies listed on the Indonesia Stock Exchange in 2017-2019, but there are data outliers so that the research sample is 34 companies with the total of 102 research data. The data analysis techniques used are descriptive statistics, classical assumption tests and regression test with panel data regression analysis using EViews. The results showed that risk disclosure, operating cash flow and good corporate governance had negative effects on financial distress while non-performing loans had no effect on financial distress. Good corporate governance was not proven to strengthen the effect of risk disclosure on financial distress, good corporate governance is not proven to weaken the effect of non-performing loans on financial distress, good corporate governance is not proven to strengthen the effect of operating cash flows on financial distress.

Keywords: Financial Distress; Risk Disclosure; Non-Performing Loan; Operating Cash Flow; Good Corporate Governance

1 Introduction

Economic conditions that tend to be unstable and often experience changes can affect the performance of each company regardless of the size of the company. Instability of economic conditions has the opportunity to cause many companies to experience financial distress. It is important for investors and creditors to know the financial condition that can reflect the health of the company [1]. The situation where the company's finances are in crisis leading the company to go bankrupt. If the company has shown this signal, then the management must

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take actions to overcome financial problems, one of which is a change in strategy that may have to be prepared so that the company can survive from these difficult conditions and avoid bankruptcy.

Cases of banks experiencing financial distress and eventually going bankrupt and liquidated were caused by liquidity problems and intense competition. During a webinar in Jakarta on Tuesday, August 04, 2020, Mr. Suwandi as the Executive Director of Claims and Resolution of Bank LPS stated that there were 103 BPRs including PT BPR Tebas Lokarizki in West Kalimantan, PT BPR Legian in Bali, PT BPR Pancadana in East Java, and there are 100 other BPRs that have gone bankrupt or have been liquidated due to financial difficulties. The phenomenon of BPR bankruptcy occurred from 2006 to June 2020. Many BPRs that were liquidated occurred in West Java reaching 36 banks and West Sumatra there were 15 banks that had gone bankrupt [2]. Financial distress problems occur in Century Bank because its financial ratios that related with its profit show a negative value. Century Bank is the result of the merger of three banking companies, namely Bank Danpac, Bank Picco and Bank CIC. Century Bank is claimed to be illiquid so that when there are customers who want to withdraw funds, they will experience problems. The condition of Century Bank has been declared to be in financial distress, as evidenced by a decrease in the capital ratio or commonly called CAR (Capital Adequacy Ratio) to -83.6% and also experiencing a capital shortage of 2.67 trillion rupiah [3].

Analysis of financial statements can be used as a reference by parties who have interests both internal and external to the company in predicting financial distress. Financial ratios are an important aspect for evaluating company performance and knowing the company's financial condition. Financial ratios can be a benchmark for a company's performance, including the probability for financial distress [4]. The condition of banking performance can be described by analyzing and interpreting various ratios related to banking [5]. The company's financial ratios can reflect how the company's condition is, whether the company's condition is healthy or threatened with distress. The use of an analytical tool in the form of this ratio can provide an overview regarding the financial condition of a company whether it is in good or bad condition [6].

The complexity of risks faced by banking companies is increasing due to rapid developments in the banking world so that the practice of good corporate governance and risk management is very much needed [7]. In uncertain economic conditions, the application of risk management becomes a strategy for companies to manage the risks they will face. The company is expected to improve its performancelin order to realize the vision that has been determined if the company is able to manage risk properly [8]. The company is expected to be able to carry out its functions well so that corporate governance can also be well organized and of course has implemented risk management so as to avoid financial difficulties that can lead to lfinancial ldistress. This is in line with research proving that risk disclosure has a negative effect on financial distress [9].

Non-performing loans can be a measure of the health of assets owned by a company, especially banks. The results of research proved that non-performing loans have a positive effect on financial distress[10], this means that the greater the ratio of non-performing loans, the greater the possibility of al bank experiencing financial distress. This is because non-performing loans reflect the high number of bad loans in a bank, the greater the ratio of non-performing loans to above the average set by Bank Indonesia, which is 5%, indicates the greater the non-performing loans in a bank when compared with the overall credit given and the higher the credit risk that must be faced and thelworse the credit quality of the bank, so that in case the possibility of experiencing financial distress is getting bigger. Meanwhile,

NPL has no significant implications in predicting the probability of banking companies experiencing financial distress [11].

In addition to risk disclosure and non-performing loans, one of the variables that has been studied for its influence on financial distress conditions is cashlflow from loperating activities. Cash flow from operating activities is one indicator that determines whether the company's operations can generate cash that can be used for various purposes including repaying loans, managing the company's operating capabilities, providing dividends to investors, and making new investments without having to rely on funding sources. from outside the company [12]. If the company's cash flow runs smoothly, it indicates that the company's operational activities are going well. The higher the company's cash flow ratio, the easier it is for the company to stay away from financial difficulties [13]. However, unlike other the research proves that operating cash flow has no effect on financial distress [14].

The Good Corporate Governance (GCG) variable is of interest to researchers, effective, efficient, and economical corporate governance is needed in an effort to improve the company's financial performance, which includes a form of protection for the interests of shareholders as company owners and creditors as external funders [15]. A good corporate governance system will provide effective protection to shareholders and creditors to recover their investment fairly, accurately and efficiently, and ensure that management acts as well as it can for the benefit of the company. The results of research show that corporate governance has a negative influence on financial distress [16] which means that the better the company implements corporate governance, the more companies can avoid the possibility of financial distress. Meanwhile, corporate governance has no impact in predicting the probability of banking companies experiencing financial distress [17].

Based on the above background, researchers are encouraged to reanalyze the factors related to financial distress. The inconsistent results of previous studies made researchers interested in testing the variables that affect financial distress. Based on previous research [18], the researchers will try to develop again. Some of the differences in this study are: (1) research uses five independent variables, namely Non-Performing Loan (NPL), Short-Term Mismatch (STM), Good Corporate Governance (GCG), Return On Asset (ROA) and Capital Adequacy Ratio (CAR) [18]. In this study, the researchers removed the STM, ROA and CAR variables and replaced them with risk disclosure variables (ERM) and operating cash flows as independent variables, (2) Researchers add a variable of good corporate governance as a moderating variable. The selection of the Good corporate governance variable as a moderating variable in the study is due to the fact that the concept of good corporate governance is proposed with the hope that transparency of corporate management for all users of financial statements can be achieved [17]. So that in the long term it can greatly affect the company's performance which will also be closely related to financial performance. This variable is expected to moderate the relationship of risk disclosure, non-performing loans and operating cash flows to financial distress. (3) The data used in this study were obtained from the financial statements of banks listed lon the Indonesia Stock Exchange from 2017-2019, while the previous research used banking financial statements of only Islamic banks listed on lthe Indonesia Stock Exchange from 2013-2017 where the number of samples became less.

Therefore, the research title that the researcher proposes is: **The effect of risk disclosure, non-performing loans and operating cash flows on financial distress with corporate governance as the moderating variable**. The researcher considers using corporategovernance as a moderating variable because all company activities will be based on the corporate governance implemented by the company. The novelty of this study is the

measurement of corporate governance variables referring to the paper compiled by [19]. Measurement is done by scoring, where there are 15 items that are used as measurements.

2 Literature Review And Hypotheses Development

2.1 Signalling Theory

The signal theory is how companies provide signal to investors regarding how companies managed [20]. Information published by a company in the form of financial statements can be a signal for investors regarding how the company's financial condition is. The information obtained by investors will later be used to make investment decisions for a company. It is important for a company to publish its financial statements so that it can be used as a clear, complete, timely, and accurate analytical tool for investors in determining investment decisions. If the financial statements owned by the company have a positive value, then the market response will be positive in line with the company's ability to generate profits.

According to this theory, the company's management has an important role in presenting the best possible report in order to give a positive signal to investors. Disclosure of the company's risk management can be a signal of how the company manages risk [21]. If the company's internal parties are able to manage their risks well, then this allows investors to have an impression of the company that can increase the value of a company. The implementation of corporate governance is also important in creating a positive impression and creating a good reputation for the company, besides that it can also improve the company's performance if internal parties have managed the company well.

In accordance with the research objectives, the conceptual framework of the research is presented in Figure 1

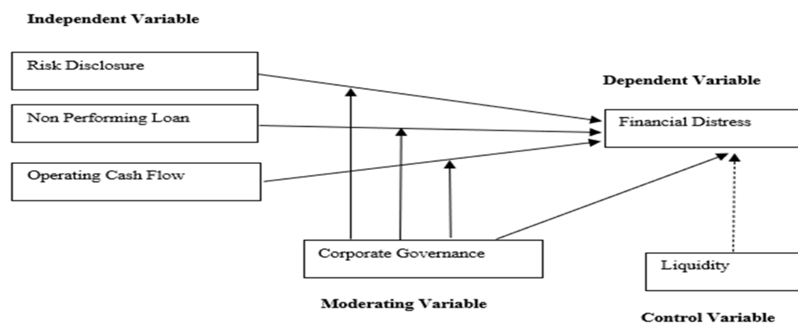

Fig. 1. Conceptual Framework

2.2 Hypotheses Development

2.2.1 The Effect of Risk Disclosure on Financial Distress

Signaling theory is one of the theories underlying the problem of information asymmetry. A signal is an action taken by the company's management that allows investors to have an impression of the company [20]. One of the signals issued by the company is the disclosure of risk management. Enterprise Risk Management is able to integrate all risks in a strategic and integrated system [22],. Integrated risk management is one of the strategies to avoid financial

distress, because the company knows the risks it faces so that the company can handle these risks so that the impact of the risk can be minimized. The level of risk disclosure has a negative relationship to financial distress [22]. lThis lis lbecause lcompanies with a high llevel lof lrisk management implementation mean that they are more prepared to handle and minimize risks. The results of this study are consistent with other research [21]. So based on this description, the first hypothesis proposed from this study is:

H1: Disclosure of risk hasl a lnegative leffect lon lfinancial ldistress.

2.2.2 The Effect of Non-Performing Loans on Financial Distress

Non-performing loans are a ratio of poor credit comparisons to the total total loans issued by a bank [23]. The higher the NPL ratio lreflects the poor lquality lof lthe lbank's credit due to lthe high number of lnon-performing lloans and the lhigher lthe credit risk faced by a bank, such as losses caused by debtors who fail to pay their debt repayment obligations, both principal and interest, then this will cause the lhigher lthe lprobability lof a lbank to experience lfinancial ldistress. Non-performing loans have a positive effect on financial distress [10], which means that the higher the ratio of non-performing loans of a bank when compared to the total credit granted, the bank's financial condition will be more difficult and ultimately lead to poor financial performance or financial distress. The results of this study are consistent with research conducted by [24]. So based on this description, the second hypothesis proposed from this study is:

H2: Non-performing loans have a positive effect on financial distress.

2.2.3 Effect of Operating Cash Flow on Financial Distress

The cash flow statement is a summary of the company's cash receipts and disbursements within a certain period [13]. One of the uses of cash flow information is to find out the results of the company's operational activities. A company that can generate high operating cash flow indicates that the company has sufficient sources of funds to carry out its activities such as paying off debt, managing the company's operating capabilities, and can also invest without relying on funding sources from outside the company [12]. The higher the operating cash flow generated by a company[13], the lower the chance that the company will experience lfinancial ldistress. lThis lis lin lline lwith lresearch conducted by [25]. Based on this description, the third hypothesis proposed from this study is:

H3: Operating cash flow lhas a lnegative leffect lon lfinancial ldistress.

2.2.4 The Influence of Corporate Governance on Financial Distress

Good Corporate Governance generally aims to support the performance of a company [16] because it contains elements that are very important for the company itself. These elements are the measurement of the pattern of corporate behavior as measured lby lthe lcompany's performance, the lcompany's ability to grow, lthe financing structure, and how the company treats investors. The lprinciples lof lcorporate lgovernance which lconsist lof ltransparency, laccountability, lresponsibility, independencel and lfairness are expected to make a company ready to face unexpected conditions accompanied by the determination of the right strategy. Corporate governance has a negative effect on financial distress[16], meaning that the better the implementation of corporate governance, the lower the chance that the company will

experience financial distress. This is inl lline lwith lresearch lconducted by [26]. Based on this description, the fourth hypothesis proposed from this study is:

H4: Corporate governance has a negative effect on financial distress.

2.2.5 Corporate Governance Moderates the Effect of Risk Disclosure on Financial Distress

Effective, efficient, and economical corporate governance is needed inl an leffort lto improvel the lcompany's lfinancial performance[15]. Good corporate governance includesl a forml ofl protectionl against lthe interestsl ofl investors as owners of the company, the interests of creditors and other stakeholders, which is the reason why companies that have implemented good governance are companies with lgood lcorporate lmanagement. lCompanies should implement lgood corporate lgovernance so as to avoidl the riskl ofl lfinancial ldistress. Thisl isl in line with research conducted by [16] which states that good corporate governance has a negative effect on financial distress.

The higher the level of risk disclosure of a company, the lower the chance of experiencing financial distress ([21] and [22]). Disclosure of risk inl lthe lcompany's lannual lreport can lbe a predictor lof financial distress, which will later be used as a consideration for investors and other stakeholders in making decisions. Supported by previous research which states that the two variables each have a negative effect, the researcher proposes a hypothesis that the chances of a bank experiencing financial distress will be lower when the level of disclosure of corporate risk accompanied by disclosure of good corporate governance is higher.

H5: Corporate governance strengthens the relationship between risk disclosure and financial distress.

2.2.6 Corporate Governance Moderates the Effect of Non-Performing Loans on Financial Distress

Thel greater the number lof lnon-performing lloans lof a lbank, lthe bank tends to be illiquid so that in the end it experiences a decrease in liquidity. [10] found that there was a positive relationship between the ratio of non-performing loans and financial distress. This is in line with research conducted by [24] in which banks must maintain a low non-performing loan ratio so that itl canl be lused las lan learly lwarning lsystem to prevent financial distress. Companies with high governance disclosures should have a small bankruptcy risk due to the establishment and alignment of goals so that the vision and mission set by the company can include the interests of stakeholders [15]. Based on the previous research, the researcher proposes a hypothesis that financial distress will be weakened if the disclosure of good corporate governance increases.

H6: lCorporate lgovernance lweakens thel lrelationship lbetween non-performing loans and financiall distress.

2.2.7 The Effect of Corporate Governance Moderates the Effect of Operating Cash Flow on Financial Distress

Research proved that cash flow from operational activities has a negative effect on financial distress[27]. This is in line with research conducted by [13] which states that if the company's cash flow runs smoothly, it indicates lthat lthe lcompany's loperational lactivities lare going well. lThe lhigher lthe lcompany's operating cash flow lratio, lthe easier it is for the

company to stay away from financial difficulties. If the cash flow ratio from operating activities is low, it is likely that the company has less profit, so the company experiences financial difficulties.

Good corporate governance is very necessary to be applied in managing the company. The better the practice of corporate governance, the company's assets will also be managed properly so that the possibility of financial difficulties can be avoided [17]. This is supported by research conducted which states that good corporate governance has a negative effect on financial distress [26]. lSupported lby lprevious lresearch lwhich lstates lthat each of these two variables has a negative influence, the researcher proposes a hypothesis that the more cash flows from operating activities generated by the company are accompanied by higher disclosure of good corporate governance, the chance of a bank experiencing financial distress. getting lower.

H_7: lCorporate lgovernance strengthens the lrelationship lbetween operating cash flow and financiall distress.

3 Research Methods

Thisl studyl aimsl to lexamine lthe leffect lof lrisk ldisclosure, lnon-performing loans and operating cash flows on financial distress with corporate governance las a moderatingl lvariable. lThe population of lthis lstudy are go-public lcompanies which are listedl on the lIndonesia lStock lExchange. Determination of lthe sample is done by lpurposive lsampling lmethod, which isl a lsampling technique lbased lon considerationl of several research lcriteria that have been determined. The samples taken are banking companies registered with the Indonesian Stock Exchange with the following criteria:

a. The company is listed on the Indonesia Stock Exchange since 2017-2019.
b. The company that engaged in banking industry.
c. Financiall statementsl are presented in lRupiah lcurrency
d. Thel companyl always lpublishes lfinancial lreports land lannual lreports every year lduring lthe lperiod l2017 - 2019.

The data sources used are secondary data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) in lthe form of the lcompany's financiall reportsl and lannual lreports.

3.1 Research Model

The lregression lmodel used inl thisl studyl isl asl lfollows:

$$FD = \alpha l + l\beta_1 ERM + l\beta_2 NPL + l\beta_3 OCF + l\beta_4 CG + l\beta_5 ERMxCG + \beta_6 NPLxCG + \beta_7 OCFxCG + \beta_8 CR + \varepsilon \quad (1)$$

Where: FD= *Financial distress,* ERM= Risk disclosure, NPL = *Non-performing loan,* OCF = Operating cash flow, CG = *Corporate governance,* CR = *Current ratio.*

This lstudy luses la lpanel data lregression lmodel with lthe tests used are Chow Test and Hausman Test to determine the right approach between OLS (Ordinary lLeast lSquare), lFEM (Fixedl Effectl lMethod), or lREM (Randoml Effectl lMethod). The test results in this study is the FEM (Fixed Effect Method) approach.

3.2 Operational Definition Variable and Measurement

3.2.1 Dependent Variable

The dependent variable used in this study is financial distress (FD). According to [28] financial distress is a condition of a company whose finances are in a threatened or unhealthy state, for example, losses experienced by companies that cause the company to be unable to fulfill its obligations. The measurement of lfinancial ldistress inl thisl lstudy uses lthe lAltman Z-Scorel which isl multiplied by -1. lThe Altman model has a 95% accuracy rate for predictingl thel lpotential for lbankruptcy ofl a lcompany [13].
[29] Z-Score used as follows:

$$lZ" = l\,(6{,}56\ lX_1 + l3{,}26\ lX_2 + l6{,}72\ lX_3 + l1{,}05\ lX_4) \quad (2)$$

lWhere : lX_1 = lWorking lcapital : ltotal lassets, lX_2 = lRetained lEarnings: ltotal lassets, X_3l = lEarnings lbefore interestl and ltaxes: ltotal lassets, lX_4 = lEquity lmarket lvalue: totall bookl valuel ofl liabilitiesl, lZ" = Altman lZ-Score

3.2.2 Independent Variable

This study uses three independent variables, namely risk disclosure, non-performing loans and operating cash flows.

a) Risk Disclosure (ERM)

Enterprise risk management is a company risk management process that is structured in such a way that it can then be applied to every strategy to achieve company goals [22] . The measurement of ERM is measured using the criteria in the COSO working paper which consists of 108 ERM disclosure items covering 8 dimensions. Disclosure of business risk is done by assigning a value of 1 to each item disclosed, and a value of 0 if the item is not disclosed. All scores from 108 items will be added up to get a total score of disclosure for each company. The final score of risk disclosure is obtained from the following calculations:

$$\text{ERM} = \frac{\text{Number items disclosed}}{\text{108 items disclosed}} \quad (3)$$

b) Non-Performing Loan (NPL)

Non-performingl loanl l (NPL) is a lratio that measures lnon-performing lloans compared to total lloans. Loans that are categorized as non-performing consist of loans classified as substandard, doubtful and bad lwhere lthe cause ofl lnon-performing lloans lis ldue to debtors who do not make payments and are in arrears more than a predetermined time limit [11]. The NPL ratio can be calculated by the following formula:

$$\text{NPL} = \frac{Non\ Performing\ Loans}{Total\ credit\ granted} \quad (4)$$

c) **Operating Cash Flow**

Operating cash flow is the amount of cash generated by the regular operating activities of a business within a specific time period. The cash flow used in this study is operating cash flow. Operating cash flow is the most important lcash lflow lfrom company lactivities [28]. If lthe lcash flow generated by a lcompany is large, then the creditors as the party who injects funds into a company will gain confidence in the return of the credit provided. The measurement of operating cash flow variables can be calculated by the following formula:

$$\text{Operating cash flow} = \frac{Operating\ cash\ flow}{Total\ Equity} \quad (5)$$

3.2.3 Moderating Variable

This study uses corporate governance as a moderating variable. lGood lCorporate lGovernance (GCG) isl a lsystem lthat can control andl regulate the lcompany in order to create added value for stakeholders [16],. The measurement of corporate governance in this study refers to a paper compiled by [19]. Measurement is done by scoring, where there are 15 items that are used as measurements. Each item disclosed willl be lgivenl a score lof 1 land l0 if lthe item is not ldisclosed and all items will be added up to obtain a total score of disclosure for each company. The final score of corporate governance is obtained from the following calculations:

$$\text{GCG} = \frac{Number\ items\ disclosed}{15\ items\ disclosed} \quad (6)$$

3.2.4 Control Variable

In this study, the control variable used is liquidity using the current ratio. The current ratio formula is as follows:

$$Curent\ Ratio = \frac{Current\ asset}{Current\ liabilities} \quad (7)$$

4 Results And Discussion

4.1 Descriptive statistics

The following will discuss the results of statistical tests and their discussion.

Table 1. Panel Regression Model Descriptive Statistics

	FD	**ERM**	**NPL**	**OCF**	**CG**
Mean	-1.3637	0.4975	0.0355	-0.0083	0.6163
Maximum	1.0053	0.6019	0.1575	1.2677	0.8667
Minimum	-3.2643	0.3796	0.0005	-1.9985	0.4000
Std. Dev.	0.7991	0.0452	0.0224	0.4793	0.1127
Observations	102	102	102	102	102

From the results of the statistical table above which is data from 34 banking companies listed on the IDX from 2017 to 2019, information is obtained that the average risk disclosure (X1) is 0.4975 with a standard deviation of 0.0452 which means it is not too volatile and varies. The highest risk disclosure was 0.6019 which was recorded by lPT lBank lRakyat Indonesial (Persero) lTbk inll2019. While lthe lowestl risk disclosure was 0.3796 which was recorded byl PTl Bankl Jagol Tbkl inl 2018.

Thel statistics of thel Non-Performing Loan variable, show that the average Non-Performing Loan of 34 banking companies for the 2017 - 2019 period is 0.0355 with a standard deviation of 0.0224 or 2.24%. The company with the highest Non-Performing Loan is PT Bank Yudha Bhakti Tbk where in 2018 it was recorded to have a Non-Performing Loan of 15.75%. Meanwhile, the lowest Non-Performing Loan was 0.05% which was recorded by PT Bank National Nobu Tbk in 2017.

The operating cash flow, shows that the average operating cash flow of 34 banking companies for the 2017 - 2019 period is Rp. 1,814,211,110,784, - with a standard deviation of 0.4793. The company with the highest operating cash flow is PTl Bankl Rakyatl Indonesial (Persero) lTbk. where in l2018 it was recorded to have operating cash flow of IDR 57,262,380,000,000, while the lowest operating cash flow was IDR -31,962,470,000,000 which was recorded by lPT lBank lMandiri (Persero) l Tbkl. in l2018.

Thel statistics ofl good corporate governance, showl thatl thel average disclosure ofl goodl corporatel governancel of 34 banking companies for the 2017 - 2019 period is 0.6163 with a standard deviation of 0.1127 or around 11.27%. lCompanies with the highest disclosures of good corporate governance are lPT lBank Mestikal Dharmal Tbkl (2019), lPT lBank lDanamon lIndonesia lTbk (2019), lPT lBank Inal Perdanal Tbkl (2017), and lPT lBank Oke Indonesial Tbk (2019) where the bank is recorded as having disclosures good corporate governance by 86.67%. Meanwhile, the lowest disclosure of good corporate governance was 40% which was recorded by PT Bank Pembangunan Daerah Banten Tbk.

Finally, lfinancial ldistress lmeasured lby lthe lAltman lZ-score, shows that the averagel financial distress ofl 34 banking companies for the 2017 - 2019 period is -1.3637 withl a standardl deviationl ofl 0.7991l. Thel averagel financial distress is -1.3637, which means that the sample banking companies are in the gray zone, so it cannot be ascertained whether the company is categorized as a healthy company or a company that has the opportunity to go bankrupt. The company with the highest Z-score was achieved byl PTl Bankl Ina Perdana lTbk. where lin l2017 it was recorded to have a Z-score of (3.2643). Meanwhile, the lowest Z-score was (-1.0053) which was recorded by PT Bank Pembangunan Daerah Banten Tbk in 2019.

4.2 Results

The following are the results of the research hypothesis test, which was preceded by the Coefficientl ofl lDetermination ltest, F test land T ltest.

Tabel 2. Coefficient of Determination Test Results and Simultaneous Test F

R-squaredl	l0.497395	lMean ldependent varl	1.36375
Adjustedl R-squaredl	l0.495615	lS.D. ldependent varl	l0.79913
S.E. lof lregression	l0.052916	lAkaike infol criterionl	l-2.74733
Suml squaredl residl	l0.168005	lSchwarz lcriterion	l-1.66646
Logl likelihoodl	182.1137	lHannan-Quinn lcriter.	l-2.30965
F-statisticl	560.3584	l Durbin-Watson lstat	2.51553
Prob(F-statistic) l	l0.000000		

4.2.1 Coefficient of Determination Test

The coefficient of determination of the results of the regression test is 0.4956 referring to the adjusted R2 value. This means that the contribution of influence that can be given by all independent variables is 49.56% or a change from the z-score value can be explained by all independent variables of 49.56% with the remaining 50.44% explained by all other independent variables outside this research.

4.2.2 F-Test

The results of the F-statistic regression test obtained a value of 560.3584 with a probability value of 0.0000 less than 0.05 (α), this test indicates the rejection of H0 which proves the F-statistic is significant. Itl canl be lconcludedl thatl thel regressionl modell usedl inl thisl studyl is appropriate (Fit).

4.2.3 t-Test

Tabel 3. t-Test

Variable	Pred.	Coeff.	t-Statistic	Prob. *(one-tailed)*	Decision
C		5.4630	7.2790	0.0000	
ERM	-	-5.1175	-3.3913	0.0006	H1 accepted
NPL	+	2.2071	0.9427	0.1748	H2 rejected
OCF	-	-0.2326	-3.3820	0.0007	H3 accepted
CG	-	-4.3107	-3.4482	0.0005	H4 accepted
CG.ERM	-	6.1686	2.6087	0.0058	H5 rejected
CG.NPL	-	-1.5264	-0.3428	0.3665	H6 rejected
CG.OCF	-	0.4043	2.9895	0.0020	H7 rejected
CR		-3.0121	-36.5257	0.0000	

a) The Effect of Risk Disclosure on Financiall **Distress**l

Basedl onl lthe model above, itl canl bel seen lthe results of testing the level of risk disclosure on financial distress. Based on Table 3, its significant is 0.0006 <0.05 dan the coefficient is -5.1175 so it can be concluded that the level of risk disclosure has a negative effect on financial distress. The results of this study are in line with the research of [22] and also research by [21]. The disclosure of corporate risk has a negative effect on financial distress [21]. This means that companies that disclose their risks well can make the company avoidl thel possibilityl ofl financial distress. lThis isl becausel lcompanies with a high llevel lof vrisk management implementation mean that they are better prepared to handle and minimize risks where risk management can be one of the strategies to avoid financial distress. The company knows the risks it faces so that the company can handle these risks so that the impact of the risk can be minimized.

b) The Effect of Non-Performing Loans on Financial Distress

Based on the model above, it can be seen the results of the non-performing loan test on financial distress. In this test, it can be concluded that non-performing loans have no effect on lfinancial ldistress. lThe lNPL (lNon-Performing lLoan) ratio shows the management's ability

of a bank in overcoming non-performing financing, including doubtful, substandard, and non-performing loans. The financing is that the bank has provided financing to the debtor, but the loan funds are not returned by the party. In this case, it can result in problematic financing so that the bank can experience financial difficulties.

The test results show that NPL has no effect on the financial distress condition of banking companies in 2017-2019 in Indonesia. The results of this study are in line with [18] and [23] which state that the size of non-performing loans does not affect financial distress. The average NPL of banks in Indonesia for the 2017-2019 period is in accordance with Bank Indonesia regulations, which are categorized as quite good. If the NPL exceeds the limit set by Bank Indonesia or it can be said that the NPL value has a very high value and exceeds the predetermined limit, the bank will be subject to action according to the SOP, namely in the form of incentive supervision which will be carried out with special supervision as well as other steps that have been determined. [18]. The results of this study indicate that the magnitude of the NPL value may not result in financial distress, because the financing provided is financing to third party funds and does not include financing to other banks. From the results of this study, it is evident that banks with high NPL values are not necessarily able to identify the occurrence of financial distress as was the case with lPT lBank lRakyat Indonesial Agroniagal Tbkl inl 2019 with a high NPL value of 7.66% and a low NPL value of 1.53% in 2019. Bank Bumi Arta Tbk in 2019, each of which has a similar z-score, namely 1.3241 and 1.2155. The results from the NPL are due to the fact that most of the funds disbursed by banks are given to customers or third party funds only [30] However, this finding contradicts the research which state that non-performing loans have a positivel effectl onl lfinancial ldistress [10] and [24].

c) Effect of Operating Cash Flow on Financial Distress

Based on table 3, itl canl be concludedl thatl operating cash flow lhas a negativel effectl onl financiall ldistress. This ratio shows the cash flow management carried out by the company in operating activities. According to signal theory states that high cash flow income from operating activities illustrates that the company is able to obtain cash to meet internal needs without having to borrow from outside, this is categorized as a positive signal. Conversely, if the cash flow of the company's operating activities is low, it means that the company cannot show adequate cash and has poor performance, this will give a negative signal to investors and creditors [25].

The results of this study are supported by research which prove that cash flow from operating activities has a negative leffect lon lfinancial ldistress ([13], [25], and [27]). lThe higher lthe loperating lcash lflow, the lower the probability that the lcompany lwill experiencel lfinancial ldistress. On lthe lother hand, lthe lower lthe lcash lflow ratio froml operatingl lactivities, the higher the probability that the company will experience financial distress. The higher the lcash lflow lfrom loperating lactivities obtained by thel lcompany, which indicates that the company has good performance, namely being able to manage cashl toll meetl thel company's linternal lneeds, the lower the possibility of the company experiencing lfinancial ldistress.

d) The Effect of Good Corporate Governance on Financial Distress

Basedl on lthe lresults lof the analysis, it can bellconcludedllthat good corporate governance lhas a negative leffect on lfinancial ldistress. Thatllis, the better governance of the

bank management, the lower the possibility of financial distress. GCG has la lnegative leffect lon lfinancial ldistress because the lmanagement lof lbank assetsl andl resources is carried out effectively and efficiently. lEffective land efficientl managementl ofl assetsl andl resourcesl is able to provide added value for all interested parties so that the bank does not experience a financial decline. Well-managed assets enable banks to meet their maturing obligations. The better the GCG, the lower the financial distress. These results support the theory which states that poor corporate governance causes company assets to be poorly managed so that the company's financial condition declines and continues to financial difficulties [26].

Thel results lof this lstudy lare lin lline lwith previous research from [16], [15] and [26] which shows that the better the implementation of good corporate governance in a company, the lower the possibility of a company experiencing financial distress.

e) The Moderating Effect of Good Corporate Governance on the Relationship Between Risk Disclosure and financial distress

In testing with moderation, it can be lconcluded lthat lgood lcorporate governancel is lproven not to strengthen thel effect lof risk disclosurel on lfinancial distressl. lThe results of this study reject hypothesis 5 because lgood lcorporate governancel cannot strengthen lthe lrelationship lbetween riskl disclosure and financial distress. If a company has good and complete risk disclosures, it can be concluded that the probability of experiencing financial distress will be lower, as is the case with hypothesis 1 which has been proven. However, if the risk disclosure is accompanied by a good level of implementation and disclosure of good corporate governance, it does not guarantee that the effect of risk disclosure will be stronger in detecting corporate bankruptcy. It can be concluded that good corporate governance in this study does not lplay lan limportant lrole lin lmoderating the relationshipl betweenl risk disclosure land financial distress. Although partially disclosure of risk and CG lhas a lnegative leffect lon lfinancial ldistress, lit does not guarantee that CG and can lstrengthen lthe leffect of risk ldisclosure lon financial distress.

f) The Moderating Effect of Good Corporate Governance on the Relationship Between Non-Performing Loans and Financial Distress

Based on the model above, it can be concluded that good corporate governance is jnot jable jto jweaken the jrelationship jbetween non-performing loans and jfinancial distress. NPL jis one way or a key for a bank to assess whether the bank's function is working well or not. NPL is related to non-performing loans, all banks have customers who are late in paying their loans, not only for a month or two but for months. The greater the NPL ratio in a bank, it can be ascertained that there is something wrong with the bank's performance function, the more negative impacts it will cause. Meanwhile, the smaller the NPL ratio, it can be ascertained that the bank's performance and bank functions are working well. In this case, the company's high good corporate governance cannot neutralize the bad influence of non-performing loans jon jthe jpossibility jof jfinancial jdistress. jThis jis because even though the company has implemented good corporate governance, if the debtors find it difficult to pay off their obligations, the possibility of the bank experiencing liquidity difficulties will be higher and there will be financial difficulties that have the opportunity for the bank's bankruptcy.

g) The Moderating Effect of Good Corporate Governance on the Relationship Between Operating Cash Flow and Financial Distress

It jcan jbe jconcluded jthat jgood jcorporate jgovernance jdoes jnot jsucceed in strengthening the effect of operating cash flow on financial distress. This can be caused by operating cash flows that are not always related to the company's good corporate governance. jIn this jstudy, good jcorporate jgovernance jis jmeasured jby the jdisclosure jindex in the company's annual report. Good disclosure does not guarantee jthat jthe jcompany jis jable jto jgenerate and control jthe jcompany's cash flow management. Cash flows from operating activities are cash inflows and outflows from the core business. Examples of components include revenue, production expenses, employee salaries, marketing expenses, and general and administrative expenses. Therefore, corporate governance cannot be ascertained to be interrelated with cash flow. Although the company's corporate governance disclosures are good, if the income from the company's core business is problematic and not smooth, it cannot reduce the possibility of financial distress as in the banking industry, cash flow is very important beyond Corporate Governance.

5 Conclusions, Limitations and Suggestions

5.1 Conclusions

Based jon jthe jresults jof jdata janalysis jand jdiscussion jdescribed jin jthe previousj chapter, jthe jfollowing jconclusions jcan be jdrawn:

1. Risk disclosure jhas a jnegative jeffect jon the jfinancial jdistress. jThe results jof jthis study jare jin jline jwith jthe jresearch jof [21] but contradict the results of the research of [9].
2. Non-performing loans have no effect on the financial distress. The results of this study are in line with [18], but contradict the research of [10].
3. Operating cash flow jhas ja jnegative jeffect jon jthe financial distress of jbanking companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The results of this study are supported by research by [13], [25], and [27].
4. Good corporate governance jhas ja jnegative jeffect jon jthe jfinancial distress. The results of this study are in line with research conducted by [16], [18] and [26].
5. Good corporate governance is proven not to strengthen the effect of risk disclosure on the financial distress.
6. Good corporate governance is proven not toj weakenj the jinfluence of jnon-performing loans jon jthe jfinancial jdistress.
7. Good corporate governance is proven not jto jstrengthen jthe jeffect of joperating jcash jflow on the jfinancial jdistress.

5.2 Limitations

In this study, there are several limitations that limit this research which can be taken into consideration for future research with the aim of obtaining better results than previous research. The following are limitations in this study:

1. There are data outliers so that it reduces the number of samples to be studied.
2. It found inconclusive results on the autocorrelation test and also the symptoms of multicollinearity that allow problems in the regression test.

3. None of the hypotheses involving moderating variables were proven may be due to measurement.

5.3 Suggestion

a) For Company Management
Through this research, it can be concluded that risk disclosure, operating cash flow and good corporate governance partially have a negative effect on financial distress. This should be taken into consideration by the company that ERM and CGC are a must for companies to disclose. Operating cash flow can also be a predictor in determining financial distress, therefore it is important for company management to keep cash flow stable.
b) For Investors
Investors who wish to carry out investment activities need to consider the level of risk disclosure, operating cash flow and the application of good corporate governance, because these three things may affect financial distress. By assessing and comparing the level of risk disclosure, operating cash flow jand jthe implementation jof jgood jcorporate jgovernance between companies, it is hoped that investors can investj their jcapital in jthe jright jcompany. Bagi Kreditur From the results of this study, creditors can assess the image of prospective debtors as reflected in the Z-score which is a measure of a company experiencing financial distress. Creditors are also expected to realize that the company's non-performing loans have no effect on the company.
c) For further research
Based jon jthe jresults jof jthe discussion and jconclusions above, jsuggestions canj be givenj forj furtherj research in order to add the research time span and other independent variables such as company size, audit opinion, and scoring on sustainability reports to see the impact and influence on financial distress. Then add other types of industry companies in the study in order to see jthe jeffect of these variables onj the jfinancial jdistress of each industry.

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