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ABSTRACT

Research Aims: This study aims to determine the effect of liquidity, leverage, firm size, CEO duality, political connection on financial distress with profitability as a moderating variable in properties & real estate sector companies listed on the Indonesia Stock Exchange for the period 2018-2022.

Design/methodology/approach: The type of data used is quantitative data sourced from secondary data. The population in this study are properties & real estate sector companies listed on the Indonesia Stock Exchange for the period 2018-2022. The technique used in this sampling is purposive sampling and 24 companies were obtained as samples in this study. The data were analyzed using logistic regression and moderated regression analysis (MRA) using modprobe and calculated with SPSS Version 27 software.

Research Findings: The results showed that leverage proxied by debt to asset ratio and political connection has a significant and negative effect on financial distress. While liquidity (current ratio), firm size, CEO duality has no significant effect on financial distress and profitability proxied by return on assets is also unable to moderate the effect of liquidity (current ratio), leverage (debt to asset ratio), firm size, CEO duality, political connection on financial distress. Therefore, properties & real estate sector companies are expected to manage debt effectively and carefully assess risks and finances. Properties & real estate sector companies must also ensure that the sustainability of the relationship can be maintained in the long term to avoid the risks that can arise from political changes to avoid financial distress.

Keywords: CEO duality; Financial distress; Firm size; Leverage; Liquidity; Political connection; Profitability

Introduction

The growing global economy is the reason why modern business competition has become so intense, companies are required to have the ability to compete with their advantages (Rinofah et al., 2021). Competitiveness expects companies to have the option to handle their business from different angles, with the aim that the company can develop and must be responsive to the conditions that occur in the field (Saleh, 2018). If company management cannot manage the business effectively, it can result
in financial difficulties. If this problem is not resolved immediately, it will undoubtedly have a negative impact on the company's ability to continue its business in the future (Amanda & Tasman, 2019).

Based on the study of the Business Competition Supervisory Commission KPPU (2023) in collaboration with the Center Economics and Development Studies (CEDS), it was revealed that there was an increase in the index value of business competition in Indonesia from 2018 to 2022. Economic growth gradually improved after the Covid-19 pandemic and encouraged an increase in national businesses. Companies are required to increase their competitiveness in order to survive in an increasingly tight commercial world. To become stronger, companies must be able to adapt and meet market demands. However, if the company conducting business competition does not have a strategic policy, it results in a decrease in financial condition that occurs before bankruptcy. This condition indicates that a company is experiencing financial distress (Ardi et al., 2020).

Financial distress is a situation that occurs when an organization faces depreciation in its financial condition, this occurs before liquidation or bankruptcy (Christine et al., 2019). The earnings per share (EPS) proxy is used in this study to evaluate companies experiencing financial distress. A company is considered to be experiencing financial distress when it has a negative earnings per share (EPS) value (Suprihatin et al., 2022). Growth earning per share (EPS) of 12 company sectors listed on the Indonesia Stock Exchange (IDX) in 2018-2022, with fluctuating movements. The Properties & real estate sector is the only company that has consecutive negative EPS values in 2018-2022. Contrary data sourced from the Indonesian Central Bureau of Statistics (2022) actually shows that the value of the Gross domestic product of the properties & real estate sector in 2018-2022 based on constant prices in 2010, experienced an increasing movement with a positive value every year. Based on this phenomenon, the properties & real estate sector is used as an object to analyze the factors that influence the existence of financial distress by testing several research variables.

Financial distress is always a major topic and is important for the survival of a company (Mselmi et al., 2017). Companies can also obtain more information regarding the strengths and weaknesses of their financial condition over a period of time through analysis using financial distress measurement methods (G. Wang et al., 2020). In this research, in addition to testing the development of models with moderation variables, it also involves variables that are still rarely researched, especially CEO Duality and Political Connection. In addition, this study also develops new moderation tests, because there is a logical reason that profitability can moderate the effect of CEO duality and political connection on financial distress. So, it is hoped that this research has a differentiator from other previous studies. Based on the phenomenon of gaps and differences in the results of previous studies, researchers are interested in conducting research by raising the variables of liquidity, leverage, firm size, CEO duality, and political connection on financial distress with profitability as a moderating variable.
Literature Review

Trade Off Theory

Trade-off theory is a theory that explains the amount of debt and equity of the company in achieving optimal conditions (Modigliani & Miller, 1958). Trade-off theory provides information related to managing the advantages and disadvantages of possible bankruptcy, with funding based on the ratio of debt to equity value (Modigliani & Miller, 1958). Trade-off theory explains the efforts made by managers with the intention of increasing the value of debt to reach a point where additional funds for financial problems become comparable to the value of additional interest tax protection (Brealey et al., 2008). Trade-off theory can be used to test the effect of liquidity and leverage on financial distress indicators in a company (Pertiwi, 2018).

Agency Theory

Agency Theory is an agency relationship that is defined as an arrangement in which one person acts as a principal and another person acts as an agent with the aim of carrying out services for the agent, including delegation of certain decision-making policies (Jensen & Meckling, 1976). Agency theory is very important for companies as a way for managers to report everything to shareholders to maximize overall costs useful for minimizing a company experiencing financial difficulties (Abbas & Sari, 2019). Agency theory is used as a way to apply governance mechanisms to exercise agent control in jointly owned companies (Panda & Leepsa, 2017). Resolving this conflict results in agent fees or other costs being used to compensate for losses incurred by managers (Baklouti et al., 2016). Agency Theory supports the separation of the roles of the board of directors and the board of commissioners (Coles et al., 2001). CEO Duality can reduce the monitoring role of the board of directors over executive managers, so that later company performance can become worse (Setyawan & Devie, 2017). Ineffective monitoring conditions by someone who concurrently holds two positions cause agency costs which result in less effective board performance and reduce independence so that the overall performance of the company decreases (Putri & Deviese, 2017).

Hypothesis Development

Liquidity is based on trade off theory which explains that it is related to predicting the costs and benefits of debt financing analysis with the aim of achieving optimal conditions (Jahanzeb et al., 2013; Pertiwi, 2018).


A large leverage value indicates the greater the company's obligations that must be paid, so that the company's ability to pay its obligations decreases and can cause the possibility of the company experiencing financial distress (Indawati et al., 2021). In this research, the leverage ratio is calculated using the Debt to Asset Ratio (DAR). DAR is a ratio to determine the size of a company's assets to be able to guarantee all of the company's obligations or debts (Yustika et al., 2015).
H2: Leverage (DA R) influences Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period. Company size is a key indicator that assesses a company’s overall stability. A large company size indicates that the possibility of avoiding financial difficulties is lower (Nilasari, 2021). Rahayu & Sopian (2017) stated that a company with positive growth shows that the size of a company is getting better and growing so that there is less chance of bankruptcy.

H3: Firm Size influences Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period. A company is considered to have CEO Duality when the board of directors functions as well as being chairman of the board of commissioners (Sridharan et al., 1997). The existence of CEO Duality violates the principle of separation of management decisions and control taking and hinders the board’s ability to carry out monitoring functions (Wijaya & Devie, 2017). Based on Law Number 1 of 1995, it is explained in relation to the system that must be adopted by the company, namely the two system-tier boards. The occurrence of this dual role is due to the use of a kinship system that occurs in the board of directors and board of commissioners (Novianty & Setijaningsih, 2020). The existence of this dual role is considered to have less effective review, giving the CEO the possibility of taking part in taking opportunities for personal gain (Wang & Hussainey, 2013).

H4: CEO Duality influences Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period. Companies that are involved in Political Connection gain several benefits, namely having the convenience of financing bank loans, being given relief in paying taxes, having market power, and having contracts with the government (Wijantini, 2007). However, the convenience obtained can result in increased debt levels of a company which makes the company become burdened. Continuously increasing debt can cause companies to experience financial distress (Sujoko & Soebiantoro, 2007). The possibility of financial distress is greater if the political connection is higher.

H5: Political Connection influences Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period. Liquidity is used to provide evidence that a company with a high liquidity ratio is able to fulfill its obligations in less than a year (Kasmir, 2016). This research uses the current ratio (CR) as a proxy for the liquidity ratio. A low CR value indicates that the company has poor performance, but conversely a high CR value indicates that the company has good performance and is able to survive in the face of financial distress (Aji & Anwar, 2022). The moderating variable from this research is profitability which is proxied by return on assets (ROA). ROA is used to show the company’s ability to utilize all its assets to generate profits (Pertiwi, 2018).

H6: Profitability is able to moderate the influence of Liquidity (CR) on Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period.
Leverage is a method that can be used by companies to calculate the amount of debt that must be borne by the company to meet its assets (Susanti et al., 2020). A low DAR value indicates that the financial position is in good condition. On the other hand, a high DAR value indicates that the possibility of financial distress is higher. High profitability shows that the company is able to manage equity well to

H7: Profitability is able to moderate the influence of Leverage (DAR) on Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period.

Company size is a form that describes the total assets of a company (Sopian & Rahayu, 2017). Profitability is thought to moderate the influence of company size on financial distress. ROA is information which states that if profitability increases, the better the company is at managing its assets or the more profits it obtains, the possibility of financial distress will decrease (Masita & Purwohandoko, 2020). When the profitability generated by a company is high, this can increase the total assets owned by the company. So that the total assets owned by the company increase. This condition makes profitability able to weaken the influence of company size on financial distress.

H8: Profitability is able to moderate the influence of Firm Size on Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period.

The occurrence of dual roles is due to the use of a kinship system that occurs in the board of directors and board of commissioners (Novianty & Setijaningsih, 2020). Profitability is used to find out how much the company's ability to generate profits (Sudaryanti & Dinar, 2019). Profitability is thought to moderate the effect of CEO duality on financial distress. When the company has high profitability, the negative impact of CEO duality on financial distress can be reduced. This is because more profitable companies have greater resources to overcome the risks caused by CEO duality, such as the emergence of agency costs. However, when the company's profitability is low, the negative impact of CEO duality on financial distress can increase. This is because the company does not have sufficient profits to overcome the risks caused by CEO duality.

H9: Profitability is able to moderate the influence of CEO Duality on Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period.

Companies that have political connections are companies that, based on applicable regulations, are establishing ties with the government (Sulistyowati et al., 2020). Profitability is thought to moderate the influence of Political Connection on financial distress. A high level of profitability can provide a company with sufficient financial resources to overcome potential risks or pressures arising from the impact of political connections, thereby reducing the occurrence of financial distress. However, a low level of profitability can increase pressure arising from the impact of political connections, thus strengthening the occurrence of financial distress.
H10: Profitability is able to moderate the influence of Political Connection on Financial Distress in properties & real estate sector companies listed on the Indonesia Stock Exchange (BEI) for the 2018–2022 period

Conceptual Model

Method

This research was a type of causal conclusive research and uses quantitative data with annual financial report documentation techniques as a secondary data source taken from the official IDX website. The population in the studies were properties & real estate sector companies listed on the IDX for the 2018-2022, with a sample of 120 companies determined using purposive sampling techniques, including criteria for: (1) properties & real estate sector companies that are always listed on the Indonesian stock exchange for the 2018-2022 period; (2) companies that publish annual and financial reports for the 2018-2022 period; (3) companies that have negative EPS for two periods in the 2018-2022, so that the number of samples is 24 companies. Data analysis techniques in this study used descriptive statistical analysis, logistic regression and moderated regression analysis (MRA) using modprobe and calculated using SPSS Version 27 software. In this research, the logistic regression equation can be written as follows:

\[
\ln \frac{p}{1 - p} = \alpha + \beta_1 \cdot CR + \beta_2 \cdot DAR + \beta_3 \cdot FS + \beta_4 \cdot CD + \beta_5 \cdot PC + \beta_6 \cdot CR \cdot ROA + \beta_7 \cdot DAR \cdot ROA + \beta_8 \cdot FS \cdot ROA + \beta_9 \cdot CD \cdot ROA + \beta_{10} \cdot PC \cdot ROA + \epsilon
\]
Result and Discussion

Overall Model Fit

The results of the overall model test assessment are used to find out how adding independent variables can improve the model or not. The test results show that the -2Log Likelihood value before the independent variable was added was 162.120 and after the independent variable was added it was 102.389. This means that the -2Log Likelihood value has decreased by 59.731. The chi-square table with df110 (117-6-1) produces a value of 135.480 which is statistically significant so that the value -2Log Likelihood < chi square (102.389<135.480) which shows that the model fits the data and adding independent variables to the model can improve the model.

Coefficient of Determination

Testing using the Nagelkerke's R Square method shows that the size of the independent variable can describe the dependent variable. The Nagelkerke's R Square test shows a value of 53.3%. This means that the independent variable has the ability to explain the dependent variable by 53.3% and the remaining 46.7% is explained by other variables outside the model in this study.

Regression Model Feasibility Test

Hosmer and Lemeshow's Goodness of Fit test is used to test hypotheses on data that fits the model. The test shows a chi-square value of 10.428 with a significance level of 0.236, which shows that there is no significant difference found between the model and the observed value so that the model can be accepted because 0.236 > 0.05.

Classification Matrix

Based on the classification matrix test, it shows that there are 60 data in the non-financial distress category, whereas 57 companies are in financial distress. In the predictions, 46 companies were in a state of non-financial distress with an accuracy rate of 76.7% and 42 companies were in a state of financial distress with an accuracy of 73.7% and an overall classification accuracy of 75.2%.

Parameter Estimation and Interpretation Test

<table>
<thead>
<tr>
<th>Variabel</th>
<th>b</th>
<th>p</th>
<th>Exp (b)</th>
<th>Keterangan</th>
</tr>
</thead>
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<tr>
<td>H1</td>
<td>CR → FD</td>
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<tr>
<td>H2</td>
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<td>-3,6819</td>
<td>0,0052*</td>
<td>0,0252</td>
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<td>H3</td>
<td>FS → FD</td>
<td>-0,0384</td>
<td>0,8065</td>
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<td>H4</td>
<td>CD → FD</td>
<td>0,0644</td>
<td>0,8897</td>
<td>1,0665</td>
</tr>
<tr>
<td>H5</td>
<td>PC → FD</td>
<td>-1,3356</td>
<td>0,0061*</td>
<td>0,2630</td>
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<td>H6</td>
<td>ROA → FD</td>
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<td>0,0424</td>
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<td></td>
<td>CR*ROA → FD</td>
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<tr>
<td>H7</td>
<td>ROA → FD</td>
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<td>H8</td>
<td>ROA → FD</td>
<td>2,0465</td>
<td>0,2052</td>
<td>7,7404</td>
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</tbody>
</table>
**Effect of Liquidity on Financial Distress**

The test results of the analysis show that the liquidity variable proxied by the current ratio (CR) does not have a significant effect on financial distress. The absence of this influence is due to the fact that the company has a low level of current debt and focuses more on long-term debt, so the current ratio is not the main determinant of the company's financial condition (Hikmawati, 2022). Long-term debt occurs when a company wants to expand its business but has limited funds. Many companies take out long-term debt to increase the number of company assets in the form of property, equipment, and investment. The results of this study are in line with research conducted by Letiana & Hartono (2023), Masita & Purwohandoko (2020), Sulistyowati et al. (2020) and Ningsih & Asandimitra, (2023). The practical implication of the results of this study is that property & real estate sector companies do not always focus on increasing the current ratio value. The large or small value of the ratio will not have an impact on the possibility of financial distress in a company.

**Effect of Leverage on Financial Distress**

Based on the results of the study, it shows that the debt to asset ratio (DAR) as a proxy for the leverage variable has a significant negative effect on financial distress, where each increase in DAR value will reduce the probability of the company experiencing financial distress. The high value of Debt Asset Ratio (DAR) makes the probability of financial distress in a company low. This is due to the ability of companies with high levels of debt to fulfill asset purchases and increase profits (Sudaryanti & Dinar, 2019). The results of this study match previous studies Octavia et al. (2021), Curry (2020), Septiani & Dana (2019), Fauzan & Lina (2023), and Dewi et al. (2022). The findings are not in accordance with the Moch et al. (2019) which shows that leverage has a positive effect on financial distress. The practical implication of this research is that property & real estate sector companies require company management to manage debt effectively. This can involve prudent debt management policies, debt restructuring, or efforts to reduce the debt ratio so that the company is not overburdened.

**Effect of Firm Size on Financial Distress**

The test results show that the firm size variable has no effect on financial distress. This possibility can occur because the results show that there is no difference

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**Table**

<table>
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<tr>
<th>Variabel</th>
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<th>p</th>
<th>Exp (b)</th>
<th>Keterangan</th>
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<td>CD*ROA → FD</td>
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<td></td>
<td>Quadrant 1</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Not Moderating</td>
</tr>
<tr>
<td></td>
<td>PC*ROA → FD</td>
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<td>0,9389</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quadrant 1</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Moderation Predictor)</td>
</tr>
</tbody>
</table>

Source: Data Processed (2024)
between large and developed companies and companies that are still in the growth stage. Some small companies, despite their limited business scale, have managed to form many partnerships and run efficient operations, thus having a high level of assets. On the other hand, large companies have significant total assets and profits, but they are also subject to high levels of risk. An increase or decrease will not affect the possibility of the company experiencing financial distress. The inconsistency in the value of company size indicates that company size does not affect the possibility of financial distress. The results of this study are in line with research conducted by Suprihatin et al. (2022), Putri & Kristanti (2020) and Amanda & Tasman (2019). The findings are not in accordance with Khalid et al., (2020) who shows that firm size has an effect on financial distress. The practical implication for this research is that property & real estate sector companies, it is important to maintain and maximize cash flow so that the company’s performance remains optimal, by ensuring that asset management remains efficient.

**Effect of CEO Duality on Financial Distress**

Based on the results of hypothesis testing, it shows that CEO duality has no effect on financial distress. This is because CEO duality does not disturb the executive's focus on managing the company. The existence of kinship relations between the board of directors and the board of commissioners still has responsibility for corporate strategy and financial monitoring and carries out these tasks efficiently. The CEO's special knowledge about the company and investment opportunities is considered capable of assisting in optimizing the decision-making process that can maximize company revenues (Varghese & Sasidharan, 2020). The findings are not in accordance with the Khurshid et al. (2018) which shows that CEO duality has a positive effect on financial distress. The practical implication of this research is that property & real estate sector companies need to continue to develop alternative control mechanisms to ensure transparency and responsibility at the executive level.

**Effect of Political Connection on Financial Distress**

The results of hypothesis testing show that political connection has a significant negative effect on financial distress. This negative effect is due to the fact that companies find it easy to get financing from banks, get relief from tax payments, have market power, and can enter into contracts with the government (Wijantini, 2007). This leads the company to further develop the company’s operations to increase profits so as to avoid the possibility of financial distress. Good political connections can help firms gain better access to business opportunities, gain favourable policy support, or obtain government contracts. This can provide stability and financial support that can reduce the risk of financial distress. The results of this study are not in line with research conducted by Anggriani & Rahim (2021) and Kalbuana et al. (2022) which prove that political connection has a significant positive effect on financial distress.
The Ability of Profitability in Moderating the Effect of Liquidity on Financial Distress

The results of hypothesis testing show that profitability (ROA) is not able to moderate the effect of liquidity proxied by current ratio on financial distress. The profitability variable proxied by return on assets (ROA) as a moderating variable shows that the profitability variable cannot moderate the effect between liquidity and financial distress. This means that the profitability variable cannot strengthen or weaken the effect of liquidity on financial distress, low or high profitability does not affect the relationship between liquidity and financial distress. Profitability has no effect because when the company's profits decrease, obligations and other costs can still be fulfilled by using the company's internal and external funds (Antoniawati & Purwohandoko, 2022). The findings of this study are corroborated by Kristiana & Susilawati (2021) and Bernardin & Indriani (2020). The practical implication of this research is that property & real estate sector companies must evaluate and improve operational processes to improve company efficiency and management, need monitoring and be able to manage profitability and liquidity carefully.

The Ability of Profitability in Moderating the Effect of Leverage on Financial Distress

Based on the results of hypothesis testing, it shows that profitability (ROA) is not able to moderate the effect of leverage proxied by the debt asset ratio on financial distress. This happens because it is not certain that the profitability generated by the company is able to help the company pay off its obligations because every profit or profit earned by the company is not used to help pay the company's debt, there is also the possibility that profits are used for other routine company operations. According to Natya (2020) this happens because high profitability is unable to guarantee the company to make debt payments and manage it properly, and vice versa. The results of this study indicate that the size of profitability cannot moderate the effect of leverage on financial distress. The findings of this study are corroborated by Zulfa (2018) and Bernardin & Indriani (2020). The practical implication of this research is that property & real estate sector companies need to explore risk management, maximize funding sources, and check that the level of leverage is in accordance with payment capacity.

The Ability of Profitability in Moderating the Effect of Firm Size on Financial Distress

Based on the results of hypothesis testing, it shows that profitability is not able to moderate the effect of firm size proxied by the company's total assets on financial distress. It can be concluded that not necessarily the size of the profitability generated by the company is able to assist the company in increasing the total assets owned by the company. The findings of this study are corroborated by Bernardin & Indriani (2020) which shows that profitability is unable to moderate the effect of firm size on financial distress. Profitability of property & real estate sector companies experienced instability due to the Covid-19 pandemic, where there was a decrease in demand and sales caused by policies carried out by the government. However, after
passing the impact of Covid-19, the properties & real estate sector companies continue to gradually recover and rise. The practical implication of this research is that companies in the properties & real estate sector need to consider implementing a more optimal risk management strategy, improve operational efficiency, and re-evaluate the company's financial structure to be more in line with payment capabilities.

The Ability of Profitability in Moderating the Effect of CEO Duality on Financial Distress

Based on the results of hypothesis testing, it shows that profitability (ROA) is not able to moderate the effect of CEO Duality on financial distress. It can be concluded that not necessarily the size of the profitability generated by the company is able to assist the company in reducing the impact that occurs due to the influence of CEO duality on financial distress. The possibility of profit is used for other routine operational activities of the company, the optimal use of profit depends on the situation and needs of each company. Amoa & Gyarteng (2021) say that a CEO who has multiple positions held will have an impact on the decline in the financial performance of a company. It also does not support that companies that have high profitability can reduce the negative impact of CEO duality and when the profitability generated by the company is low, the negative impact of CEO duality on financial distress can increase. The practical implication of this research is that property & real estate sector companies need to maintain the stability of company profitability, because good profits can act as a controlling factor in reducing potential negative impacts.

The Ability of Profitability in Moderating the Effect of Political Connection on Financial Distress

Based on the results of hypothesis testing, it shows that profitability (ROA) is unable to moderate the effect of political connection on financial distress. It can be concluded that not necessarily the size of the profitability generated by the company is able to assist the company in reducing the impact of a company's political connection. This is not in line with the research of Nugraha & Zulaikha (2023) which states that political connections can harm the profitability of a company due to potential conflicts of interest. Increasing or decreasing profitability and companies that have political connections are not able to strengthen or weaken the influence caused in companies that have political connections on the occurrence of financial distress. This is because the profitability of property & real estate sector companies is experiencing instability due to the Covid-19 pandemic, where there is a decrease in demand and sales caused by policies carried out by the government. However, after passing the impact of Covid-19, the properties & real estate sector companies continue to gradually recover and rise. The practical implication of this research is that companies in the properties & real estate sector need to focus on political risk management, establish open and transparent relationships with the government, and strive to create a stable corporate image free from political dependence.
Conclusion

Properties & real estate sector were the only companies during the 2018-2022 period that experienced negative EPS growth every year. From the results of this test, two hypotheses were accepted. The second hypothesis, Leverage as proxied by the Debt Assets Ratio (DAR) has a negative effect on the financial distress of companies in the properties & real estate sector listed on the Indonesia Stock Exchange for the 2018-2022 period. The negative influence of the Debt Assets Ratio (DAR) shows that companies with high DAR levels can actually reduce the occurrence of financial distress. Therefore, companies must manage political connections wisely and need to ensure that the sustainability of relationships can be maintained in the long term. Suggestions for further research include adding and extending the study period so that more samples are obtained so that the data is more representative by using variables that have been researched by other researchers such as: debt to equity ratio, audit committee, independent commissioner, cash flow and so on as well as variables which are rarely researched, or can eliminate variables that have no effect, and further researchers can use the profitability moderating variable as an independent variable and can also add other moderating variables to the research such as company size.

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