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SOME FACTORS AFFECTING FINANCIAL DISTRESS IN TELECOMMUNICATION COMPANIES IN SOUTHEAST ASIA

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Abstract. People who have lost their jobs are affected by the Covid-19 epidemic, which lowers demand and prevents them from updating daily used internet services. A company's deteriorating financial health may be a warning indication of impending financial trouble. With company size serving as a moderating variable, the purpose of this study is to ascertain the impact of earnings management, corporate strategy, the board of directors, and debt asset ratio on financial distress. Ten telecoms businesses in Southeast Asia were the result of the purposive sampling technique from 2013 to 2022. Both logistic regression and moderated regression analysis are used in this study. These findings show how financial hardship simultaneously affects management of earnings, corporate strategy, the board of directors, and the debt asset ratio. However, financial distress is partially impacted negatively by the factors debt asset ratio, board of directors, and earnings management. The business strategy variable is now untouched by financial difficulties. Financial distress is not significantly impacted by company size, which moderating the debt asset ratio from the regression analysis.

Keywords: earnings management, business strategy, board of directors, debt asset ratio, financial distress, firm size.

JEL Classification: G30, G33, M41.

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1. Introduction

Beginning in 2020, the COVID-19 epidemic caused a variety of changes, including a decline in community involvement, sluggish economic growth, and the adoption of a contactless and cashless society as a new way of life. In the second quarter of 2020, the majority of Southeast Asian nations experienced an economic downturn characterized by negative growth (Kusnandar, 2022; Katadata Media Network, 2023). The GDP fell and reached –17.1% as a result of the shutdown that was implemented in Malaysia to stop the Corona virus's spread. In the meantime, Thailand shrank by 12.2% and the Philippines shrank by 16.50%. When the COVID-19 pandemic strikes in 2020, both nations' economies will be heavily dependent on tourism, which will also experience negative growth. Vietnam, one of the nations that escaped the 2020 pandemic and managed to expand by 0.36% YoY, was among those that did so. Vietnam's growth has been successful, as seen by the decline in unemployment to 2.73% (CNBC Indonesia, 2020). The COVID-19 pandemic's negative economic impact has led to changes in a number of sectors, including economics, health, education, telecommunications, and others. In the telecommunications industry, where the trend in telecommunications technology has changed from voice and SMS to cellular data, changes and increases in telecom operator income occur in a variety of disciplines.

The global socioeconomic landscape is changing rapidly right now, and there is a financial crisis that causes financial distress. In daily life, financial distress might take the form of unanticipated expenditures or expenses, difficulties paying living expenses, or restrictions on loan payments. In ordinary life, financial strain is a terrible omen, and it turns out that businesses experience the same thing. According to Platt and Platt (2002), companies may have financial challenges prior to declaring bankruptcy or going out of business. The company's significant liquidity burden caused by its inability to satisfy its debt obligations is the first indication of financial hardship because it accelerates the depreciation of assets and increases the risk of bankruptcy. Investors and creditors may decide against making more investments in a company when it faces possible financial difficulty. As a result, the company works hard to deliver strong performance in order to draw in investors.

A number of indicators or tests can be used to determine whether a company is in financial distress, including declining financial performance, an inability to pay obligations or dividends, problems with cash flow, changes in equity prices, employee layoffs, a low value for earnings per share, and other situations (Sutra & Mais, 2019). In this study, financial distress is measured using earnings per share. EPS is a measure that expresses how much profit was made from each share of stock already in circulation (Tandelilin, 2010, p. 374). Net profit, often known as EPS, is determined by dividing it by the total number of outstanding shares. When the corporation conducts its business operations, the net profit for each share can be calculated through earnings per share. The profitability and financial health of the organization can also be assessed using the EPS. A positive or high figure for EPS shows that the corporation can make significant earnings from each share. Earnings per share, or EPS, which is always rising, can be a positive indicator of business success and draw in investors. When a company's EPS ratio is negative, it may be a sign that it is having financial problems. Negative EPS is a sign that the business is losing money on operations since it is unable to turn a profit. Cash shortfalls in satisfying short-term obligations will result from signs of financial difficulty shown by negative EPS and net profit (Rahayu et al., 2016).

According to Figure 1, the year 2018 saw the highest number of telecommunications businesses in Southeast Asia with negative profits per share values, specifically 4 companies (3 from Indonesia and 1 from Malaysia). SINGTEL, a telecommunications firm, earned positive earnings per share from 2013 to 2022 but had negative EPS for the previous ten years. This contrasts with the corporation FREN (Indonesia), which recorded primarily negative earnings per share from 2013 to 2021. High operating costs and currency rate losses since 2008 were to blame for the losses incurred by FREN (Bisnis Tempo, 2009). Then, in 2021, FREN's net loss started to decrease, as evidenced by operating income of up to IDR 10.45 trillion. One of the factors that leads to rising corporate income is the revenue from FREN telecommunications services (Kontan Investasi, 2022). ISAT (Indonesia) had the most negative earnings per share during the study year in 2013, totaling – 490.71. Increased costs and losses from exchange rate disparities resulted in a loss of IDR 2.7 trillion for PT. Indosat Tbk (ISAT) in 2013 (DetikFinance, 2014). Additionally, the corporation

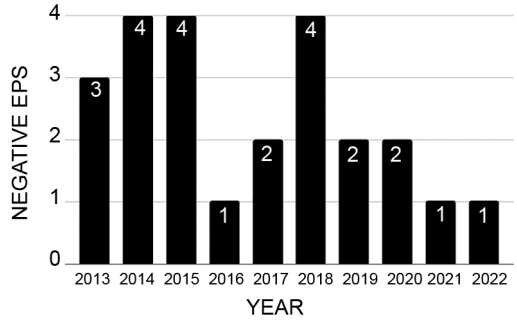

Figure 1. Number of telecommunications companies with negative EPS (2013–2022)

reported cash expenditures for capital goods of approximately IDR 9.67 trillion in 2013, an increase of 67% from IDR 5.79 trillion in 2012. According to Sindonews Ekbis (2014), the overall amount of debt climbed by about 8.8% from IDR 21.99 trillion in 2012 to IDR 23.93 trillion in 2013.

When two parties (individuals or organizations) have access to different forms of information, Connelly contends that the signaling theory can be utilized to explain behavior (Connelly et al., 2011). According to signal theory, businesses should give financial report users signals. According to signal theory, businesses inform readers of financial reports about their operations by sending out either positive or negative signals (Tandelilin, 2010, p. 117). Signal theory and challenging financial circumstances are related to the communication of a company's status to outside parties. If the company experiences financial difficulties, investors will view it unfavorably. On the other hand, if the company is not experiencing financial problems, investors and potential investors who are interested in participating in the organization would take note favorably.

The study of agency theory, a branch of game theory, explores how to construct contracts to persuade rational agents to act in the principal's best interest when an agent's interests clash with those of the principle (Scott, 2015). In order to prevent problems, agency theory also analyses issues that develop in businesses as a result of the separation between owners and managers (Panda & Leepsa, 2017). It is intended that, by using agency theory, investors can be persuaded that they will eventually receive a return on their investment. This is also connected to investors' trust in managers to deliver benefits to them. On the other hand, inadequate financial reporting may point to a financial emergency. Due to the uncertainty surrounding the given return, this circumstance may cause investors and creditors to hold off on making further investments.

One strategy that leads to financial difficulties is earnings management. Earnings management is the intentional modification of financial reports' fairness and accuracy in order to hide real-world financial circumstances or gain personal advantage from results of contracts that depend on accounting data (Healy & Wahlen, 1999). Therefore, earnings management is regarded as a practice that enhances the appearance of financial reports and has the potential to erode their credibility (Campa & Camacho-Miñano, 2015). A negative economic crisis for the company will result from poor earning management practices, which will then be accompanied by growing financial troubles at the company (Bisogno & De Luca, 2015).

Business strategy strives to boost a company's productivity and profitability, lowering the chance of bankruptcy in the future. This is in contrast to earnings management methods, which can endanger business continuity (Bryan et al., 2013). Cost leadership and differentiation are the two business strategies that a company can use, individually or in combination, to succeed in a cutthroat market (Porter, 1998). Cost leadership, which is done through cost effectiveness and maximizing fixed is used in this study to measure company strategy (Agustia et al., 2020).

Corporate governance seeks to safeguard corporate stakeholders by ensuring that managers act in a proper and selfless manner at all times (Al-Haddad et al., 2011). The adoption of effective corporate governance standards can lessen the possibility that a company will encounter financial difficulties. The board of directors is one element that can have an impact on the likelihood of financial crisis. The board of directors must have a minimum number of members in order to operate the company. Syofyan (2021) states that a board of directors must consist of at least one member for a corporation to effectively oversee its operations. A larger board of directors exhibits effectiveness in running the organization as compared to a smaller board.

To compare overall debt to total assets, utilize the debt-to-asset ratio (Hery, 2016, p. 266). The company's use of debt is directly correlated with risk and return. When a business cannot meet its obligations, this is the first indicator of financial difficulty. A high DAR yield indicates a larger potential risk of debt default for the company. Therefore, the company's duty to make returns increases in proportion to the amount of debt it has taken on. Businesses with a high DAR value may experience financial difficulties.

This study evaluates the board of directors, corporate strategy, management of earnings, debt-to-asset ratio, and financial crisis. Additionally, it is believed that this research will serve as a guide for business management, offer recommendations, and offer suggestions for doable actions that may be taken to lower the risk of bankruptcy. As a result, this study can also help internal and external stakeholders in the firm make decisions about future investments or performance improvements.

2. Literature review and hypothesis development

2.1. Theoretical basis

SFAC No. 1 of the Statement of Financial Accounting Concepts states that management must provide information on profits (Financial Accounting Standart Board, 2008). In order to maximize individual profits, management must fully interfere with internal financial reporting processes. This is known as earnings management (Schipper, 1989). Companies with specific objectives frequently manage their profits in this way. Therefore, earnings management is seen as a practice that enhances the visual appeal of financial reports but has the potential to reduce their dependability. Real earnings management and accrual management are the two categories that make up earnings management. Profits are mostly formed via accruals, which are prepared using various estimates. Accruals are typically thought of as accounting outcomes with fairly constant amounts from year to year. Every significant change that takes place might be categorized as abnormal or something that is not normal. Overzealous managerial practices could be to blame for this development (Rusci et al., 2021).

According to the measurement base utilized, there are three empirical models for managing earnings: the distribution of earnings model, the specific accruals-based model, and the aggregate accruals-based model (Sulistyanto, 2018). For detecting earnings management, the aggregate accruals model yields more consistent findings (Dechow et al., 1995). The discretionary accruals model is evaluated using a modified Jones model.

A corporate entity's policy, attitude, and set of values formed with the intention of outperforming competitors, according to Porter (1998), constitute its business strategy. How businesses choose to compete, develop, attain, and preserve competitive advantages in their industrial sector defines their business strategy (Chen & Keung, 2019). Cost leadership, differentiation, or business strategy are the three business strategies that companies might use (Porter, 1998). In this study, cost leadership is used. Agustia et al. (2020) define cost leadership as a strategy used by cost leads to obtain competitive pricing advantages through cost reduction and operational excellence. Asset turnover from operations is a critical cost leadership metric that reveals how skillfully a company manages its resources to achieve operational excellence. This analysis subtitutes asset rotation of operations for leadership strategy cost. Companies that choose a single business plan can lower their risk of financial distress since they may get a competitive edge over their rivals (Agustia et al., 2020). Businesses that employ a cost leadership approach concentrate on lowering manufacturing costs and improving the flow of goods and services. This strategy achieves cheaper production costs than rivals, giving it a competitive advantage. Companies need to make operations more efficient in order to create and sell their products at lower costs than rivals in order to meet specified cost targets. This approach necessitates stringent product standards and manufacturing procedures, as well as frequent investments in high-volume manufacturing equipment (Atmaja & Kristanto, 2020).

The board of directors is a corporate institution that oversees financial matters and develops strategies and policies for the organization's short- and long-terms (Hamdani, 2016). According to Parkinson (2016), the board of directors has full control over the company's assets and makes sure that all managers may properly run the firm without violating the law or the company's bylaws. The company's members who oversee operational activities are also a part of the board of directors (Khairuddin et al., 2019). The board of directors is regarded by agency theory as a corporate governance tool that can benefit and add value for all interested parties. By doing this, the board of directors can assist in minimizing future disputes between owners and agents, which, if allowed to last over time, may result in financial issues. The board of directors, in accordance with agency theory, is crucial to helping the organization make decisions that, in the end, may be beneficial for everyone. Additionally, it can lessen the chance of agency conflicts, which over time may result in money

issues and even bankruptcies (Lestari et al., 2021).

The leverage ratio was calculated in this study using the debt to assets ratio, a financial indicator. The ratio of debt to total company assets is known as the debt asset ratio and is calculated by comparing all debt to all assets (Noor, 2014, p. 201). The risks and profits of a corporation are intimately associated with how it uses debt. When a corporation doesn't pay its debts, that is the first clue that it is in financial trouble. To put it another way, this ratio is used to determine how much debt is utilized to finance a company's assets or how much corporate debt influences asset financing. However, bear in mind that the ratio level that is deemed appropriate may change based on the nature of the business and the industry. This ratio should be compared to similar companies' ratios or the company's prior ratios to better understand the company's financial position and any potential risks associated with its levels of debt (Kasmir, 2019, p. 156).

A company's size is an indication of its financial situation. Company size is a ratio that classifies businesses based on their size by counting their assets, total sales, share value, and other factors (Riyanto, 2001, p. 299). Since total assets are believed to be more stable than total sales and market capitalization, they are employed in this study to estimate the size of the company. Company size can be determined using the natural logarithm of total assets (Karina & Soenarno, 2022).

2.2. Empirical overview and hypothesis development

A corporation is said to be in financial trouble when its finances start to deteriorate before failing or collapsing. Failure, bankruptcy, and default are four words that are frequently used in business research to describe financial troubles in a corporation (Altman & Hotchkiss, 2006). A company's incapacity to recover from temporary cash flow issues is also explained by financial distress (Brigham & Gapenski, 1997, p. 183). Declining financial conditions will be a hallmark of bankruptcy-prone companies (Platt & Platt, 2002). According to Whitaker (1999), financial distress can be influenced by a number of factors, including poor corporate management, a downturn in the company's industry, and economic difficulty.

H_1: Earnings management, business strategy, board of directors and debt asset ratio simultaneously influence financial distress.

In order to maximize individual profits, management must fully interfere with internal financial reporting processes. This is known as earnings management (Schipper, 1989). If the business is forced to make all of its payments when they are due, it will pay down a significant amount of debt and send a message to its stakeholders about its future prospects. Financial distress, in accordance with agency theory, results from conflicting interests between management and the principal. Financial distress and earnings management are said to be related, with managers being more likely to use earnings management when a company's financial status deteriorates. Carrying out earnings management tactics, which will have an effect on the company's economic position but be harmful to investors, is one way to hide financial problems. This motivates managers to foresee and conceal losses brought on by rising income. Studies that back up this line of thinking, such as Luu Thu (2023) and Meryana and Setiany (2021), found that managing profits lessens financial suffering.

H_2: Earnings management has a positive effect on financial distress.

Business strategy is a collection of principles developed with the goal of outperforming rivals. It refers to the policies and attitudes that a corporate entity adopts in reaction to competition in the business environment (Porter, 1998). In order to determine the business strategy, this research employs a cost leadership strategy. Companies that can manage cost leadership exhibit a high level of cost leadership and the ability to effectively use resources to achieve operational excellence (Agustia et al., 2020; David, 2002; Hambrick, 1983). This is consistent with studies by Agustia et al. (2020) and Luu Thu (2023) that demonstrate how corporate strategy affects financial distress negatively. Based on this research, it is clear that businesses who use one of the business strategies, such as differentiation or low-cost leadership, have strong financial success and a low risk of bankruptcy.

H_3: Business strategy has a negative effect on financial distress.

The company will remain successful if the board of directors is sizable (Jensen, 1993). In fact, managers who hold stock can affect decision-making that is more restrictive (Pratiwi & Venusita, 2020). A large board of directors may manage the financial reporting process more successfully than a small board of directors (Zhafirah & Majidah, 2019). The number of board members is used in this study to estimate the board's size. The results of this study, which are in line with those of Younas et al. (2021), indicate that financial distress is negatively impacted by the board of directors. This illustrates that having a sizable board of directors is intended to enhance decision quality and lessen the possibility of the company experiencing financial difficulties.

H_4: The board of directors has a negative effect on financial distress.

The ratio of debt to total company assets, which is calculated by comparing all debt to all assets, is known as the debt asset ratio (Noor, 2014, p. 201). A high DAR value indicates a larger potential risk of debt default for the company. Therefore, the corporation has a bigger obligation to repay the debt the higher the debt value it uses (Moch et al., 2019). In order to avoid financial trouble, businesses must be able to manage their available assets and debts. This is consistent with research by Putri and Mulyani (2019) and Moch et al. (2019), which discovered

that a high debt-to-asset ratio considerably lessens financial distress.

H_5: DAR has a positive effect on financial distress.

A company's size is one of the elements that reflects its financial health. According to Amanda and Tasman (2019), company size is an added value for creditors and investors in adding investment value to large enterprises to avoid financial crisis. The size of the business is determined by total assets in this study. Numerous factors, including as financial resources, business diversification, operational performance, reputation and relationships with suppliers and customers, as well as access to financial markets, can affect the relationship between a company's size and financial trouble. A significant quantity of assets shows that the business is mature and in a stable financial position because its cash flow is good. On the other hand, having a high overall asset base will make it simpler to develop the business sector, which will ultimately increase the performance of the organization. Company size which acts as a moderating variable, indicates that there is a stronger relationship between the DAR and financial distress (Ramadani & Ratmono, 2023).

H_6: Company size moderates the effect of DAR on financial distress.

Based on the description, which explains the relationship between the independent variable and the dependent variable, it can be described in Figure 2:

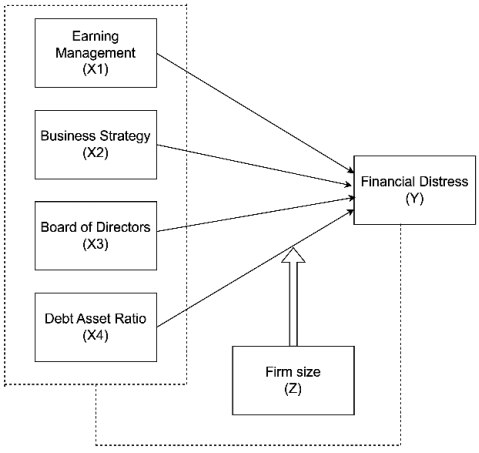

Figure 2. Framework analyzing the factors that contribute to financial distress

3. Research methodology

3.1. Sampling and variable measurement

The primary objective of this study is to empirically explore the relationship between financial distress and telecoms enterprises' management of earnings, company strategy, board of directors, and debt-to-asset ratio in Southeast Asia from 2013 to 2022. Additionally, it will be examined in this study if the existence of firm size as a moderating element may exacerbate or mitigate financial distress.

This study's quantitative research methods make use of secondary data. The secondary source of data for this study is the company's annual financial reports, which were collected from the official websites of the Stock Exchanges of each country for the years 2013 through 2022. The data analysis techniques used are descriptive statistics, logistic regression analysis, and moderated regression analysis (MRA).

Purposive sampling with judgment sampling was utilized in this study, and the sample companies were chosen based on the following standards:

Southeast Asian firm in the telecommunications sector.

Southeast Asian-based telecommunications firms that regularly release financial reports from 2013 until 2022.

Telecommunications firms based in Southeast Asia that contain complete data for all research variables from 2013 to 2022, as well as annual financial reports.

Ten businesses were found to meet the sample requirements after they had been assembled. Details of the telecommunications companies in Southeast Asia that fit the requirements are available, including the number of companies in each country: Indonesia has four, Malaysia has five, and Singapore has one.

The investigation investigates the results of independent variables: earnings management, business strategy, board of directors, and debt asset ratio regarding the dependent variable: financial distress. Relationships between financial difficulty and corporate size are moderated. Each variable was measured as follows:

a) Earnings management

The discretionary accruals model is measured using a modified Jones model using the discretionary accrual formula (Dechow et al., 1995).

$$DAC_{it} = \left(\frac{TAC_{it}}{TA_{it-1}}\right) + NDTAC_{it}.$$

b) Business strategy

Business strategy is a collection of principles developed with the goal of outperforming rivals. Cost leadership strategies that are based on ATO are utilized as a proxy for business strategy (Wu et al., 2015).

$$ATO = \frac{operating\ sales}{average\ operating\ sales},$$

information: Operating sales = Total asset-cash-short term investment.

c) Board of directors

The Board of Directors is a group tasked by law with overseeing or managing the company's operations. (Prasetio, 2018). Syofyan (2021) states that a board of directors must consist of at least one member for a corporation to effectively oversee its operations.

$$Board\ of\ directions = \sum board\ of\ directions.$$

d) Debt asset ratio

Alternatively, this ratio is employed to evaluate the extent to which a company's assets are financed by debt or

the extent to which corporate debt influences asset financing (Hery, 2016, p. 166).

$$DAR = \frac{total\ debt}{total\ asset}.$$

e) Firm size

Company size is said to indicate the entire assets owned by the company. Total assets are used in this study to gauge the size of the business (Karina & Soenarno, 2022).

$$Firm\ size = Ln(Total\ asset).$$

f) Financial distress

In this study, a company's financial difficulty is measured by its dropping EPS. Financial distress is a dummy variable that gives a value of 1 (one) to a company with negative EPS and a value of 0 (zero) to a company with positive EPS as the dependent variable. Given this understanding, EPS may be calculated by dividing net profit by the total number of outstanding shares (Tandelilin, 2010, p. 373).

$$EPS = \frac{net\ profit}{total\ number\ of\ issued\ common\ shares}.$$

3.2. Data analysis method

This study use the technique of logit regression analysis to test the hypothesis, keeping in mind that the model is appropriate for usage when the independent variable is either metric or non-metric and the dependent variable contains more than two categories (Ghozali, 2018, p. 321).

Logistic regression analysis can be used to determine how closely the dependent variable and independent variable are related.

$$Ln\frac{FD}{(1-FD)} = \alpha + \beta_1 EM + \beta_2 BS + \beta_3 BD + \beta_4 DAR + \varepsilon.$$

Testing was done in this study to see if firm size had any impact on how much the DAR affected financial distress. The MRA equation looks like this:

$$Ln\frac{FD}{(1-FD)} = \alpha + \beta_1 EM + \beta_2 BS + \beta_3 BD + \beta_4 DAR + \beta_1 DAR \times SIZE + \varepsilon.$$

4. Result

4.1. Data quality test results

Based on the applied criteria, a sample of 10 companies for a period of 10 years was chosen, making 100 observations of data necessary. Table 1's data reveals that, out of 100 observations, 24% of observations belong to the group of firms experiencing financial trouble.

For the factors employed in this inquiry, descriptive data are included in Table 1. There is a 0.337 mean value for profit management. Whereas FREN's 2021 minimum value of –2.095 indicates that the firm has the greatest indication of earnings management, with the goal of reducing income or altering profits to be lower than the prior period to prevent financial difficulty. ATO as a proxy for business strategy is 1.051 times higher on average. Given that the distribution values of the board of directors in telecommunications businesses tend to be comparable, it may be concluded that the board's average value is higher than the standard deviation value. The average DAR for the company is 0.368, meaning that 36.8% of its assets are debt-financed. 26.177 is the average firm size, which is more than the standard deviation. The firm with the lowest assets among the sample companies is valued at RM55,524,858; thus, the minimal value of the company size is 17,832 owned by the MAXIS in 2022.

In order to determine if the proposed model was fit to the data or not, the –2 Log Likelihood value was compared before and after the independent variables were added as the first test (overall model fit). This test's goal is to demonstrate whether or not include independent variables can enhance the data (Ghozali, 2018, p. 332). The overall model fit table shows that the final value of –2 LogL (block number 1) is 58.238 and the initial value of –2 LogL (block number 0) is 110.216. A drop of 51.978 shows that the model matches the data. It also demonstrates how the variables of earnings management, business strategy, board of directors, and debt asset ratio can significantly enhance model fit.

The Chi-Square value is greater than 0.05, and the results show a value of 2.817 with a sig value of 0.945. According to the Hosmer and Lemeshow test results, the data can be used for additional testing because there is thought to be no significant difference between the data and the model (Ghozali, 2018, p. 333).

As can be seen from the coefficient of determination test table, the board of directors, business strategy, debt asset ratio, and earnings management variables can all potentially impact how variable the financial distress variable is. The Negelkerke R Square has a value of 60.7%. Although the study's independent variable is assumed to have a 60.7% variability-influencing power, there are still 39.2% of extraneous factors outside the independent variable that might affect the variability of financial hardship.

4.2. Hypothesis test results

The purpose of simultaneous testing is to determine whether the board of directors, DAR, company strategy, and earnings management all concurrently affect financial distress. H0 is accepted and H1 is rejected if the significance criterion is higher than 0.05, indicating that the independent factors do not all impact the dependent variable at once (Ghozali, 2018, p. 325). With a degree of freedom (df) of 6 and a significance level of 0.000, which is less than 0.05, the Chi-Square value of 56.192 indicates that H_0

should be rejected and H_1 should be accepted, according to the omnibus test of model coefficients table. Financial distress is therefore influenced by the board of directors, DAR, company strategy, and earnings management.

The earnings management variable's regression coefficient value is 3.764 with a probability value of 0.044, which indicates that it has an impact on financial distress (Table 2). Each unit increase in business strategy results in an increase of 3.764 units in the company's financial distress. The negative coefficient (–3.764) shows that the likelihood of the company filing for bankruptcy decreases as the earnings management value increases.

The business strategy variable's regression coefficient value is 0.184 (Table 2) with a probability value of 0.903, which indicates that the variable has no effect on financial distress and that every unit increase in business strategy will result in an increase in financial distress in the company of 0.184 units. Financial distresses do not change because of the company's assets used for turnover activities' low worth.

The BOD variable's regression coefficient value is 1.295 (Table 2), with a probability value of 0.001, meaning that each unit increase in the BOD will result in an increase in financial distress in the company of 1.295 units, proving that the board of directors variable has an impact on financial distress. A negative coefficient (–1.295) shows that the likelihood of bankruptcy decreases with the number of boards a company has.

The DAR variable's regression coefficient value is 5.222 with a probability value of 0.000 (Table 2). This indicates that the DAR variable has an impact on financial distress and that each unit increase in business strategy will result in an increase in financial distress in the company of 5.222 units.

The consistent value of –1.069 implies that financial distress in telecoms businesses in Southeast Asia grew by 0.002 due to the interaction between the DAR and SIZE.

The financial distress variable proxied by EPS will increase by 0.061 units for every 1 unit addition to the interaction between the DAR and company size under the assumption that the other variables are set to 0. The coefficient value of the interaction between DAR and SIZE is 0.988.

Financial distress and the DAR are significantly correlated, according to the DAR hypothesis, which has a significance value of 0.000. A positive coefficient (5.222) indicates that the likelihood of the corporation filing for bankruptcy increases as the DAR rises.

The DAR and financial difficulty are not related in any way, according to the results of the moderation regression test, regardless of the company's size. The results of the study suggest that a company's size has no bearing on its likelihood of declaring bankruptcy. A moderate regression significance value of 0.061, which is higher than 0.05, is displayed.

5. Conclusions and discussion

68 organizations that employ earnings management are identified in this study by discretionary values, the majority of which exhibit negative results. Discretionary accruals may have a positive or negative value empirically (Sulistyanto, 2018). In this case, if positive discretionary accruals occur, the company carries out income maximization,

Table 1. Descriptive statistics

Information	Minimum	Maximum	Mean	Std. Deviation
EM	–2.095	11.956	0.337	1.609
BS	0.145	1.965	1.051	0.196
BOD	3.000	14.000	8.090	2.366
DAR	0.000	1.000	0.368	0.322
Firm size	17.832	33.256	26.177	4.874
Information	Frequency		Percentage	
Non-Financial Distress	76		76%	
Financial DIstress	24		24%	
Total	100		100%	

Table 2. Hypothesis test results

Information	B	S.E	Wald	df	Sig.	Exp(B)
EM	–3.764	1.873	4.038	1	0.044	0.023
BS	–0.184	1.515	0.015	1	0.903	0.832
BOD	–1.295	0.382	11.508	1	0.001	0.274
DAR	5.222	1.495	12.205	1	0.000	185.346
SIZE	–1.069	0.346	9.558	1	0.002	0.343
DAR*SIZE	0.988	0.528	3.499	1	0.061	2.686
Constant	23.065	7.718	8.932	1	0.003	1.041

that is, management carries out earnings management practices by increasing profits. If negative discretionary accruals occur, the company carries out income minimization, namely management carries out earnings management practices by reducing profits (Wahyuningsih, 2007). The best Discretionary Accruals value, which is close to 0, shows that there hasn't been much of an effort made to raise the profit amount. This research contradicts the conclusions of Luu Thu (2023) and Meryana and Setiany (2021) studies, which found that earnings management had a positive impact on financial distress. The research Li et al. (2020) also supports the test results of the premise that profit management negatively affects financial distress. A significantly negative DA coefficient indicates that there is less risk of bankruptcy when the value of discretionary accruals increases while the value of earnings per share decreases or vice versa. Company bankruptcy risk is influenced by the ways in which they handle their earnings. A corporation may implement earnings management measures if it has trouble meeting its financial obligations on time. Therefore, the application of earnings management is used as a means to disguise poor financial conditions (Agustia et al., 2020). This might increase the danger of insolvency or liquidity issues, which could be an early symptom of bankruptcy.

The outcomes of hypothesis testing do not match the company plan as evaluated by asset turnover operations. The study's findings also disagree with those of Agustia et al. (2020) and Luu Thu (2023), according to which corporate strategy negatively affects financial distress. This study shows that companies who use a cost leadership strategy with the main objective of becoming the cheapest producers do not experience a meaningful improvement in their financial performance. Additionally, developing cost leadership that prioritizes productivity through cost effectiveness and asset reduction has no effect on the probability of bankruptcy for the company. The business' attempts to produce standard items at extremely low unit costs have an impact on the cost leadership strategies it employs.

The BOD demonstrated outcomes that supported the prepared hypothesis. Accordingly, a company with a sizable board of directors may be less likely to get into financial difficulties. According to Darrat et al. (2016), a large board of directors is associated with improved corporate success. If a board of directors has more members, it will have access to more knowledge and information, which can enhance business performance and reduce the likelihood of financial difficulty (Mariano et al., 2021). BOD has a negative effect on financial distress, according to studies by Ibrahim (2018), Younas et al. (2021), and Mariano et al. (2021). A sizable board of directors may help with this as it will raise standards in every area and enhance business performance, which lowers the likelihood of bankruptcy (Ibrahim, 2018). These findings are compatible with one another. The results of Kristanti et al. (2016), which showed that the likelihood of a company going bankrupt increased with the number of board members, are at odds with those of this study.

Financial distress is significantly ameliorated by the debt-to-asset ratio. This confirms hypothesis H_3 since it demonstrates that when the DAR increases, so does the risk of a corporation filing for bankruptcy. The study's findings support the findings of Putri and Mulyani (2019) and Moch et al. (2019), which state that DAR has a beneficial impact on financial distress. The DAR has a favorable effect on financial distress since companies with high debt ratios incur increased financial risk. Due to their heavy reliance on debt as a source of funding, businesses are more likely to experience default (Kartika & Hasanudin, 2019). Due to the fact that borrowed debt also entails loan interest expenses, a firm with a high DAR value but unbalanced asset condition would find it difficult to meet its commitments when they mature. Thus, one of the elements influencing bankruptcy is the DAR (Putri & Mulyani, 2019). In contrary to what this analysis indicates, Kristanti and Effendi (2017) found no relationship between financial distress and the leverage specified by the DAR.

The moderation regression test's findings show that the company's size has no bearing on the relationship between financial difficulty and the DAR. This research is not in line with Ramadani and Ratmono (2023) which states that company size as a moderating variable can strengthen DAR on financial distress. However, on the other hand, it also contradicts the results of Junior and Wijaya (2022) which state that company size weakens DAR on financial distress. The results of the study suggest that a company's size has no bearing on its likelihood of declaring bankruptcy. A company's size does not ensure that it will be able to maximize its resources in order to generate profits for the business and lessen its risk of bankruptcy (Fitria and Irkhami, 2021). Whichever the debt-to-asset ratio is, bankruptcy is neither made stronger or weaker by the size of the business in this research. Calculating a company's size based only on its total assets may not necessarily be a reliable indicator of how successfully it will employ those assets to turn a profit or an indication of maturity that suggests a bright future. Comparatively speaking to smaller organizations, however, a firm's size may not always indicate how effectively it can manage its finances (Maryanti et al., 2022).

Implications

The study's finding is that the simultaneous effects of DAR, board of directors, earnings management, and company strategy on financial distress. Finance-related difficulties are unaffected by business strategy. Earnings management and the board of directors are, however, having a somewhat negative impact on financial crisis. Financial distress is largely alleviated by the debt-to-asset ratio. The results, however, demonstrate that company size cannot mitigate the impact of debt asset ratio on financial distress.

These results do have certain restrictions, though. Researchers believe that by including more corporate governance and financial performance parameters, the findings

will become more reliable and generalizable. Future research results are expected to consider the research period and use other models in conducting data analysis. Other corporate governance and financial performance criteria may be considered by scholars in the future. Nonetheless, more research is required on other moderating factors, such as macroeconomics, which have the potential to exacerbate or lessen financial distress. Applying a knowledge of financial literacy can help readers and the general public overcome financial distress.

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