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THE ROLE OF CASH HOLDING, CORPORATE SOCIAL RESPONSIBILITY AND OPERATING CAPACITY ON FINANCIAL DISTRESS WITH CASH FLOW AS A MODERATING VARIABLE

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ABSTRACT

The purpose of this study is to determine and analyze the influence of cash holding, corporate social responsibility and operating capacity on financial distress with cash flow as a moderating variable. The subject of this study is manufacturing companies listed in the Indonesian Sharia stock index for the period 2020 to 2023. The data collection method uses a purposive sampling technique, so that a sample of 35 companies was obtained with a total of 140 studies. This study uses secondary data with a quantitative approach and the data is analyzed by Moderated Regression Analysis (MRA) with the help of Eviews software version 12. The theoretical basis used in this study is Signaling Theory. The results showed that cash holding had a significant negative effect on financial distress, while corporate social responsiveness and operating capacity did not have a significant effect on financial distress. Then, the results of the study also show that cash flow as a moderation variable is able to strengthen the influence of cash holding on financial distress. Cash flow as a moderation variable is not able to strengthen the influence of corporate social responsiveness on financial distress. Cash flow as a moderation variable is not able to strengthen the influence of operating capacity on financial distress.

Keywords: *cash flow, cash holding, corporate social responbility, financial distress, operating capacity*

ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui dan menganalisis pengaruh cash holding, corporate social responsibility dan operating capacity terhadap financial distress dengan arus kas sebagai variabel moderating. Subjek penelitian ini adalah perusahaan manufaktur yang terdaftar di indeks saham syariah indonesia periode 2020 sampai 2023. Metode pengumpulan data menggunakan teknik purposive sampling, sehingga diperoleh sampel sebanyak 35 perusahaan dengan jumlah penelitian sebanyak 140. Penelitian ini menggunakan data sekunder dengan pendekatan kuantitatif dan data dianalisis dengan Moderated Regression Analysis (MRA) dengan bantuan software Eviews versi 12. Dasar teori yang digunakan dalam penelitian ini adalah Signaling Theory. Hasil penelitian menunjukkan bahwa cash holding berpengaruh negatif signifikan terhadap financial distress, sedangkan corporate social responbility dan operating capacity tidak berpengaruh signifikan terhadap financial distress. Kemudian, hasil penelitian juga menunjukkan bahwa arus kas sebagai variabel moderasi mampu memperkuat pengaruh cash holding terhadap financial distress. Arus kas sebagai variabel moderasi tidak mampu memperkuat pengaruh corporate social responbility terhadap financial distress. Arus kas sebagai variabel moderasi tidak mampu memperkuat pengaruh operating capacity terhadap financial distress.

Kata Kunci: arus kas, cash holding, corporate social responbility, financial distres, operating capacity

A. INTRODUCTION

The rapid development of industry has encouraged the government to accelerate industrialization. One of the efforts made by the government is to issue Government Regulation Number 20 of 2024 concerning Industrial Zoning which aims to open up employment opportunities for the Indonesian people and increase the capacity of competent human resources in the industrial world. However, in reality, instead of increasing the breadth of employment opportunities, the wave of layoffs is increasing. Employees who are laid off and do not have a side job

will experience economic difficulties, which will result in limiting themselves to buy something. If this happens in the long term, the company will experience a decline in sales which will have an impact on the company's profits.

The continuous decline in sales and profits of the company can indicate that the company is not managing its human resources effectively. Ineffective human resource management indicates that the company is experiencing a decline in performance, so that its operations are disrupted. When this happens accompanied by mass layoffs, it will affect the company's finances so that the company is unable to pay its obligations and cover the costs that must be incurred (Pahira & Rinaldy, 2023). This indicates that the company is in financial distress. According to (Muslimin & Bahri, 2023) Financial distress is a situation where a company can go bankrupt because it cannot fulfill its obligations and has small profits. Companies should be able to predict the occurrence of financial distress, one of which is by analyzing finances through the financial reports presented and aiming to find out the state and development of finances from year to year, this is done so that the company can survive and avoid bankruptcy. One of the factors that can influence the occurrence of financial distress is cash.

Cash or cash equivalents used for operational purposes and monitoring the company's financial development are usually referred to as cash holdings or cash ownership. According to (Prasetio, 2023), cash holding is the amount of cash and cash equivalents held by a company as part of its liquidity. Larger cash holdings can help reduce the company's financial risk. Research conducted by (Putri, 2023) and (Prasetio, 2023) regarding the disclosure of cash holdings on financial distress shows that cash holdings have a significant positive effect on financial distress. Meanwhile, research conducted by (Kismanah, Kimsen, & Utomo, 2024); (Nurizka & Hasnawati, 2023) shows that disclosure of cash holdings has no effect on financial distress.

The occurrence of financial distress cannot be separated from the conditions of the surrounding environment, where companies in carrying out operations must have positive and negative impacts. Through transparent CSR reporting in disclosing all activities related to the environment, proper CSR execution will affect the execution related to affiliate cash (Widiyanti et al., 2024) . it can increase investor confidence in the company so that it can help the company to obtain capital from the capital market (Hikmah, 2024). In addition, CSR disclosure can attract consumers so that it can be used as a competitive advantage for the company in increasing sales (Astrika, Widodo, & Widuri, 2023). An increase in sales is expected to minimize the occurrence of financial distress. Research conducted by (Cahyoputro & Hadiprajitno, 2022) and (EDT, Primadyan, & Dewi, 2023) regarding CSR disclosure on financial distress shows that CSR has a significant positive effect on financial distress. Meanwhile, research conducted by (Tampubolon, Fahria, & Maulana, 2020); (Astrika et al., 2023) shows that CSR disclosure has a significant negative effect on financial distress.

One of the indicators for measuring company activity is using operating capacity. According to Yudiawati in (Miswaty & Novitasari, 2023). operating capacity is a ratio used to measure a company's ability to use its assets to generate sales. A low operating capacity value indicates that the company has not been able to maximize its assets and if this happens in the long term, the company has the potential to experience financial distress. Research conducted by (Miswaty & Novitasari, 2023) and (Septiyaning, Damayanti, & Destalia, 2021) regarding the disclosure of operating capacity on financial distress shows that operating capacity has a significant positive effect on financial distress. Meanwhile, research conducted by (Dirman, 2021) and (Idawati & Wardhana, 2021) shows that disclosure of operating capacity has a significant negative effect on financial distress.

The cash flow report describes the amount of income and expenses of the company in a certain period. Usually, cash flow is used as a benchmark by investors and creditors in determining decisions regarding a company regarding the company's ability to obtain cash from operational activities, maintain and increase operational capacity and meet its financial obligations (M. Wijaya & Lesmana, 2022). This research is expected to provide insight to management to manage finances better so that it can improve the company's good image in the community and minimize the factors that cause financial distress.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

The signal theory was first proposed by Michael Spence in 1973, this theory is an encouragement to provide information in the form of positive signals or negative signals to external parties regarding the financial condition of the company (Choirunnissa & Nursiam, 2023). According to (M. Wijaya & Lesmana, 2022) the signal theory that produces financial information can reduce the occurrence of information inequality between the two parties, namely management and investors. Information is an important element for investors and entrepreneurs because

in general information in the form of financial reports, notes or descriptions of past conditions can predict the survival of the company and how the market will affect it (Prasetio, 2023).

Financial Distress

The measurement of financial distress has been developing from year to year. The Z-Score analysis was first proposed by Edward L. Altman in 1968. Altman's model shows accuracy in the first and second years before bankruptcy or 95% and 72% (Supriati et al., 2019). Financial distress is a condition of declining finances of a company before going bankrupt. According to (M. Wijaya & Lesmana, 2022) financial distress is a condition where the company's finances are unhealthy or in a state of crisis. Financial distress can be said to be an early indication of bankruptcy where the company cannot pay its debts or obligations when they are due (Safitri, 2023). According to (Christine et al., 2019) financial distress occurs because the company is unable to manage and maintain the stability of its financial performance, causing the company to experience operational losses for the current year.

Cash Flow

Cash flow is a report that provides information about cash receipts and payments during a certain period of time. According to (Rismaniar & Aulia, 2024) cash flow is a tool used to pay debts. A company that has good operating cash flow (OCF) means that the company has cash that can be used to support the company's operational activities in order to generate high profits (Putri et al., 2020). Every company will experience cash inflows and outflows in its business operations. If the cash inflow is greater than the cash outflow, it can indicate that the cash flow is positive. On the other hand, if the cash inflow is smaller than the cash outflow, then there is a negative cash flow. If the company's negative cash flow lasts for a long period of time, it is certain that there is a problem with the company's financial condition. This can be the starting point for financial distress or financial problems in a company (Dewi, Arianto, Rahim, & Winanda, 2022).

Cash Holding

Cash holding is a certain amount of cash owned by a company that plays a role in maintaining the stability of economic activities and can be a solution for companies in dealing with financial risks. According to (Wiratama & Ardiansyah, 2021) High cash holding can provide a positive signal indicating that the company has good and stable financial capabilities so that it can show investors and stakeholders that the company is able to face risks and financial crises. In addition, cash holding also provides a positive signal to creditors that the company has sufficient liquidity to meet financial obligations, thereby reducing the risk of financial distress. This is in line with research by (Putri, 2023) and (Prasetio, 2023) that cash holding has a significant negative effect on financial distress. Thus, it can be hypothesized as follows**:**

H1: Cash holding has a significant negative effect on financial distress

Corporate Social Responsibility

Corporate social responsibility is a voluntary disclosure of companies reported in the form of annual reports and is one of the strategies to improve the company's image and reputation. A good reputation can increase public trust in buying a product or service, thereby increasing sales and generating profits for the company. Companies that carry out CSR well can provide a positive signal about the company's commitment to social and environmental responsibility. CSR disclosure through financial reports and other publications can be a signal to investors that the company pays attention to non-financial aspects and strives to create long-term value. In addition, implementing CSR will also improve the welfare and social aspects of the community where it will facilitate the company in its entire production and marketing process, thereby minimizing the risk of financial distress. This is in line with research by (Astrika et al., 2023) and (Hikmah, 2024) that Corporate Social Responsibility (CSR) has a significant negative effect on financial distress. Thus, it can be hypothesized as follows:

H2: Corporate social responsibility has a significant negative effect on financial distress

Operating Capacity

Operating Capacity is the effectiveness and efficiency of a company in managing its assets. In the context of signal theory, operating capacity can be a signal to recipients about the company's performance. If a company has a high Operating Capacity, it can be considered a positive signal about the company's ability to meet demand and produce quality products. However, if the operating capacity is low, it will have an impact on sales revenue. If sales

are lower than the company's assets, it indicates that the effectiveness of the company's performance is low. If this happens in the long term, the company has the potential to experience financial distress. This is in line with research by (Septiyaning et al., 2021) that operating capacity has a significant negative effect on financial distress. Thus, it can be hypothesized as follows:

H3: Operating capacity has a significant negative effect on financial distress

The ability of cash flow to moderate the effect of cash holding on financial distress

High cash holding indicates that the company has sufficient liquidity to meet financial obligations. However, if the cash holding is low, it indicates that the company does not have enough cash or cash equivalents to meet its financial obligations. This means that with cash flow, the company can monitor cash receipts and disbursements from core activities. This can help the company manage cash reserves or cash holdings so that they can overcome emergency situations without experiencing financial difficulties. The explanation above is in accordance with the signal theory where the existence of a cash flow report can provide a positive signal to users of financial reports including internal parties of the company. This is in line with research (Oktasari, Widyastuti, & Astri, 2022) that cash flow is able to analyze the company's financial distress conditions. Therefore, it is expected that cash flow can moderate the effect of cash holding on financial distress so that the following hypothesis is proposed:

H4: Cash flow is able to moderate the effect of cash holding on financial distress

The ability of cash flow to moderate the effect of CSR on financial distress

Companies that transparently disclose CSR activities show that the company operates sustainably and pays attention to its impact on society and the environment. In its implementation, CSR is influenced by cash flow, where low cash flow can limit the company's ability to invest in CSR programs. Conversely, sufficient cash flow allows the company to allocate more funds for social and environmental initiatives, thereby increasing investor confidence in the company. In accordance with signal theory, companies that generate good and consistent cash flow provide a positive signal about the performance of companies that implement CSR and their future prospects, so that they can attract investors to invest. This is in line with the research of (Tampubolon et al., 2020) where cash flow management can affect Corporate Social Responsibility, if CSR is high, it can minimize the occurrence of financial distress in the company. Thus, it can be hypothesized as follows:

H5: Cash flow is able to moderate the effect of Corporate Social Responsibility (CSR) on financial distress

The ability of cash flow to moderate the effect of operating capacity on financial distress

Low operating capacity can indicate that the sales value is lower than its assets, causing a decrease in profit and possibly experiencing financial distress (Khasanah, Sukesti, Nurcahyono, Hardiwinoto, & Alwiyah, 2021). This means that if a company has not been able to optimize its operating capacity, it is possible for the company to experience financial difficulties. In signal theory, if the operating capacity is low or the company has not been able to optimize its operating capacity, it is certain that the company has a negative signal about internal problems. Therefore, cash flow tries to moderate the relationship between operating capacity and financial distress. When a company's cash flow is sufficient or high, the company can invest more in its assets such as equipment and human resources, thereby increasing operating capacity. When operating capacity increases, the company will produce more goods, thus helping the company reduce financial distress. This is in line with research by (J. Wijaya & Suhendah, 2023) where cash flow is able to analyze the company's financial distress conditions. Therefore, it is expected that cash flow can moderate the influence of operating capacity on financial distress, so the following hypothesis is proposed:

H6: Cash flow can moderate the influence of operating capacity on financial distress

C. RESEARCH METHODS

The type of research used is a quantitative research method, which can be understood as a research method based on the philosophy of positivism. This type of research is used to research populations or samples, data collection with research tools, quantitative/statistical data analysis with the aim of testing the hypotheses that have been made. This study uses secondary data in the form of annual financial reports of companies listed on the Indonesian Sharia Stock Index for the 2020-2023 period. The research data was taken from the official website of the Indonesian Sharia Stock Index, namely http://www.idx.co.id. The research period started in July 2024.

The population in this study were companies listed on the Indonesian Sharia Stock Index for the 2020-2023 period, which were 583 companies. The selection of manufacturing companies as research objects was because the level of layoffs carried out by manufacturing companies was higher than other companies. In addition, the number of companies in the manufacturing category was greater than other company categories. Sampling in this study used a purposive sampling technique. The number of samples used in this study in accordance with the sampling criteria for 4 years of observation obtained 140 companies.

Table 1. Sampling Criteria

No	Information	Amount
1.	Manufacturing companies listed on the Indonesian Sharia Stock Index continuously and publish financial reports for the period 2020-2023.	100
2.	Manufacturing companies listed on the Indonesian Sharia Stock Index that are laying off employees.	65
3.	Manufacturing companies listed on the Indonesian Sharia Stock Index that provide the financial report data required in this study.	35
Number of samples that meet the criteria		35
Research year (2020-2023)		4
Total Research Sample		140

Operational Definition of Variables and Measurement of Variables

Dependent variable

The dependent variable in this study is financial distress. **Financial distress** is the initial stage of financial decline before bankruptcy. According to Edward in the research of (Yuriani, Merry, Jennie, Ikhsan, & Rahmi, 2020) the calculation of this variable uses the Altman Z-score equation for manufacturing companies. The equation used:

$$\textbf{Z-Score} = 1{,}2\ X1 + 1{,}4\ X2 + 3{,}3\ X3 + 0{,}6\ X4 + 1{,}0\ X5$$

Description:

X1 = Business capital / Total assets

X2 = Retained earnings / Total assets

X3 = Profit before interest and taxes / Total assets

X4 = Total equity / Total liabilities

X5 = Sales / Total assets

Independent variables

The independent variables in this study are as follows:

Cash holdings

Cash holding is the amount of cash available in the company to be invested in physical assets and distributed to investors. According to research by (Hadjaat, Yudaruddin, & Riadi, 2021) cash holding can be measured using the following equation:

$$Cash\ Holding = \frac{(\boldsymbol{Cash + Cash\ Equivalent})}{Total\ Assets} \quad \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Corporate Social Responsibility

Corporate Social Responsibility according to (EDT et al., 2023) CSR is a company's participation in building a sustainable economy to improve the quality of life and environment that is beneficial to the company itself, the local community. based on research (Rahmawati, 2022) Corporate Social Responsibility can be measured using the following equation:

$$\textbf{CSRIj} = \frac{\sum \textbf{Xij}}{\textbf{Nj}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Description:

CSRIj : Corporate Social Responsibility Disclosure Index of the company

Σxij : Total number or score obtained by each company

Dummy variable : 1 = if item i is disclosed, and 0 = if item i is not disclosed

Nj : Number of items for company j.

***Operating* capacity**

Operating capacity is the company's ability to use its assets to manage the company's profits. Usually, companies use their assets to increase revenue. The operating capacity formula is the total asset turnover. According to research (Idawati & Wardhana, 2021) operating capacity can be measured using the following equation:

$$\boldsymbol{TATO} = \frac{\boldsymbol{Sales}}{\boldsymbol{Total\ Assets}} \quad \text{..... (3)}$$

Moderating variables

The moderating variable in this study is cash flow. **Cash flow** is a report that provides information about cash receipts and payments during a certain period of time. According to research (Choirunnissa & Nursiam, 2023) the cash flow ratio can be measured using the following equation:

$$\boldsymbol{Cash\ Flow\ Ratio} = \frac{\boldsymbol{Operating\ Cash\ Flow}}{\boldsymbol{Total\ Assets}} \quad \text{..... (4)}$$

D. ANALYSIS AND DISCUSSION

Descriptive Analysis

Descriptive statistics provide an overview of research data that can be seen from the mean, median, minimum, maximum, standard deviation, skewness and kurtosis of each variable (Ghozali & Ratmono, 2017). The results of the statistical test can be seen in the following table:

Table 2. Descriptive Statistical Test

	X1	X2	X3	Y	Z
Mean	0.100090	0.338619	1.080650	3.968445	0.106830
Median	0.062212	0.340659	0.833750	3.474916	0.072046
Maximum	0.930432	0.571429	6.949369	9.973339	0.600300
Minimum	0.005706	0.109890	0.051268	1.548772	0.001261
Std. Dev.	0.131340	0.117793	1.078706	1.867624	0.107198
Skewness	3.893100	0.294569	3.992491	1.028789	1.876955
Kurtosis	21.49471	2.460850	19.90189	3.374026	6.948247
Jarque-Bera	2348.963	3.720308	2038.365	25.51223	173.1363
Probability	0.000000	0.155649	0.000000	0.000003	0.000000
Sum	14.01267	47.40659	151.2910	555.5822	14.95613
Sum Sq. Dev.	2.397785	1.928653	161.7412	484.8350	1.597316
Observations	140	140	140	140	140

Source: Processed data (2024)

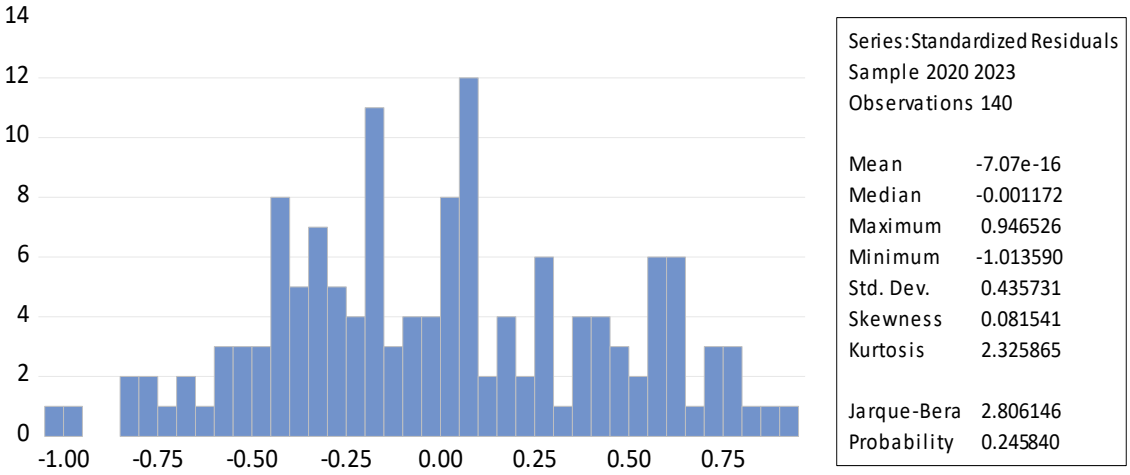
Based on the table above from 140 observations, the following data were obtained:

1) Variable X1 (cash holding) shows an average value (mean) of 0.100090, a minimum value of 0.005706, a maximum value of 0.930432, and a standard deviation value of 0.131340.
2) Variable X2 (corporate social responsibility) shows an average value (mean) of 0.338619, a minimum value of 0.109890, a maximum value of 0.571429, and a standard deviation value of 0.117793.
3) Variable X3 (operating capacity) shows an average value (mean) of 1.080650, a minimum value of 0.051268, a maximum value of 6.949369, and a standard deviation value of 1.078706.
4) Variable Y (financial distress) shows an average value (mean) of 3.968445, a minimum value of 1.548772, a maximum value of 9.973339, and a standard deviation value of 1.867624.
5) Variable Z (cash flow) shows an average value (mean) of 0.106830, a minimum value of 0.001261, a maximum value of 0.600300, and a standard deviation value of 0.107198.

Classical Assumption Test

Normality Test

The normality test of the residuals in this study uses the Jarque-Bera test with a probability significance level of 0.05. If the Jarque-Bera probability value is > 0.05, the data is normally distributed. However, if the Jarque-Bera probability value is <0.05, the data is not normally distributed.



Picture 1. Normality Test Results
Source: processed data (2024)

The first test results show that the data is not normally distributed to overcome this in this study, data transformation with logarithms (log) was carried out. After the data transformation was carried out, it can be seen in the graph 1, the Jarque-Bera probability shows a figure of 0.245840 > 0.05. This means that the residuals in this study are normally distributed or can meet the assumption of normality.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.024664	20.07803	NA
LOG_X1	0.001213	8.976949	1.073435
LOG_X2	0.008751	10.41967	1.015730
LOG_X3	0.003775	1.190338	1.123067
LOG_Z	0.001015	7.464941	1.128860

Source: processed data (2024)

Multicollinearity test can be seen through the Variance Inflation Factors (VIF) value with the criteria of centered VIF <10, which means there is no multicollinearity in the independent variables and dependent variables. Table 3 above shows that all centered VIF values <10, it can be interpreted that this regression does not have a multicollinearity problem.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.473332	Prob. F(2,132)	0.2329
Obs*R-squared	3.035172	Prob. Chi-Square(2)	0.2192

Source: processed data (2024)

Table 4 shows the Obs*R-squared probability value of 0.2192 < 0.05, so it can be concluded that the autocorrelation test assumptions are met.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	2.366264	Prob. F(4,134)	0.0560
Obs*R-squared	9.170475	Prob. Chi-Square(4)	0.0570
Scaled explained SS	23.47612	Prob. Chi-Square(4)	0.0001

Source: processed data (2024)

Based on table 5 above, it shows that the Obs*R-squared probability value is 0.0570 > 0.05, so it can be interpreted that the data does not contain symptoms of heteroscedasticity.

Hypothesis Test

Table 6. Hypothesis Test Results

Dependent Variable: LOG_Y
Method: Panel EGLS (Cross-section random effects)
Date: 12/02/24 Time: 10:48
Sample: 2020 2023
Periods included: 4
Cross-sections included: 35
Total panel (balanced) observations: 140
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.065501	0.166309	6.406759	0.0000
LOG_X1	-0.391138	0.039979	-9.783686	0.0000
LOG_X2	0.192913	0.113122	1.705356	0.0905
LOG_X3	-0.005389	0.053036	-0.101605	0.9192
LOG_Z	0.043359	0.047435	0.914053	0.3624
LOG_X1Z	0.437835	0.033025	13.25750	0.0000
LOG_X2Z	0.049752	0.038615	1.288388	0.1999
LOG_X3Z	-0.037025	0.021990	-1.683713	0.0946
	Effects Specification			
			S.D.	Rho
Cross-section random			0.117298	0.4284
Idiosyncratic random			0.135491	0.5716
	Weighted Statistics			
Root MSE	0.178092	R-squared		0.505655
Mean dependent var	0.639118	Adjusted R-squared		0.479440
S.D. dependent var	0.254206	S.E. of regression		0.183410
Sum squared resid	4.440355	F-statistic		19.28858
Durbin-Watson stat	1.023584	Prob(F-statistic)		0.000000
	Unweighted Statistics			
R-squared	0.624407	Mean dependent var		1.277903
Sum squared resid	10.28445	Durbin-Watson stat		0.441937

Source: processed data (2024)

R-Squared Test

The R-Squared test is used to determine the magnitude of the contribution of the influence of variable X on variable Y as a whole. Based on table 6 above, it is known that the adjusted R-Squared value is 0.479440, which means that the influence of variable X on variable Y has a value of 47.944%, the remaining 52.056% is influenced by other variables not included in this study.

F Test (Simultaneous)

F Test (Simultaneous) is used to determine the influence between variable X and variable Y simultaneously. The F test has an influence if the significance value is > 0.05, based on table 6 above it is known that the prob value (F-statistic) is 0.000000 < 0.05, meaning that there is an influence between variable X and variable Y simultaneously.

T Test

The T test is used to determine the influence of variable X on variable Y individually. The T test is said to have an influence if the level of significance value is < 0.05, based on the tests that have been carried out, the following values are obtained:

a) The influence of cash holding on financial distress
   Based on table 6 above, it shows a coefficient value of -0.391138, meaning it has a negative direction and a probability value of 0.0000 < 0.05, meaning it is significant. This can be interpreted that cash holding has a negative and significant effect on financial distress.
b) The influence of corporate social responsibility on financial distress
   Based on table 6 above, it shows a coefficient value of 0.192913, meaning it has a positive direction and a probability value of 0.0905> 0.05, meaning it is not significant. This can be interpreted that corporate social responsibility has a positive but insignificant effect on financial distress.
c) The effect of operating capacity on financial distress
   Based on table 6 above, it shows a coefficient value of -0.005389, meaning it has a negative direction and a probability value of 0.9192> 0.05, meaning it is not significant. This can be interpreted that operating capacity does not have a significant negative effect on financial distress
d) The effect of cash holding on financial distress with cash flow as a moderating variable
   Based on the test results table 6 above, it shows a probability value of 0.0000 <0.05, meaning that cash flow is able to moderate the effect of cash holding on financial distress.
e) The effect of corporate social responsibility on financial distress with cash flow as a moderating variable
   Based on the test results table 6 above, it shows a probability value of 0.1999> 0.05, meaning that cash flow is not able to moderate the effect of corporate social responsibility on financial distress.
f) The effect of operating capacity on financial distress with cash flow as a moderating variable
   Based on the test results table 6 above, it shows a probability value of 0.0946 > 0.05, meaning that cash flow is unable to moderate the effect of operating capacity on financial distress.

MRA TEST (Moderated Regression Analysis)

Table 7. MRA Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.065501	0.166309	6.406759	0.0000
LOG_X1	-0.391138	0.039979	-9.783686	0.0000
LOG_X2	0.192913	0.113122	1.705356	0.0905
LOG_X3	-0.005389	0.053036	-0.101605	0.9192
LOG_Z	0.043359	0.047435	0.914053	0.3624
LOG_X1Z	0.437835	0.033025	13.25750	0.0000
LOG_X2Z	0.049752	0.038615	1.288388	0.1999
LOG_X3Z	-0.037025	0.021990	-1.683713	0.0946

Source: processed data (2024)

Y = 1.065501 – 0.391138*X1 + 0.192913*X2 – 0.005389*X3 + 0.043359*Z + 0.437835*X1_Z + 0.049752*X2_Z – 0.037025*X3_Z

Keterangan:
Y = Financial distress
X1 = Cash holding
X2 = Corporate social responbility
X3 = Operating capacity
Z = Cash Flow

Based on the regression test above, it can be concluded as follows:

a) The constant value of 1.065501 means that if X is ignored or has a value of zero, then the financial distress variable (Y) is a constant of 1.065501.
b) The cash holding coefficient value (X1) is -0.391138, meaning that if cash holding (X1) increases by one unit with the assumption that corporate social responsibility (X2) and operating capacity (X3) are ignored or have a value of zero, then financial distress (Y) will decrease by 0.391138. Furthermore, the probability value of cash holding (X1) on financial distress (Y) is 0.0000 <0.05, meaning that the cash holding variable (X1) has a significant effect on the financial distress variable (Y).
c) The coefficient value of corporate social responsibility (X2) is 0.192913, meaning that if corporate social responsibility (X2) increases by one unit assuming cash holding (X1) and operating capacity (X3) are ignored or have a value of zero, then financial distress (Y) will increase by 0.192913. Furthermore, the probability value of corporate social responsibility (X2) on financial distress (Y) is 0.0905> 0.05, meaning that corporate social responsibility (X2) does not have a significant effect on the financial distress variable (Y).
d) The coefficient value of operating capacity (X3) is -0.005389, meaning that if X3 increases by one unit assuming cash holding (X1) and corporate social responsibility (X2) are ignored or have a value of zero, then financial distress (Y) will decrease by 0.005389. Furthermore, the probability value of operating capacity (X3) on financial distress (Y) is 0.9192 > 0.05, meaning that the operating capacity variable (X3) does not have a significant effect on the financial distress variable (Y).
e) The coefficient value of cash holding (X1) on financial distress (Y) with cash flow mediation (Z) is 0.437835, meaning that if cash holding (X1) increases, financial distress (Y) will increase by 0.437835 with cash flow mediation (Z). Furthermore, the probability value of cash holding (X1) on financial distress (Y) is 0.0000 <0.05, meaning that the cash holding variable (X1) has a significant effect on financial distress (Y) with cash flow mediation (Z).
f) The coefficient value of corporate social responsibility (X2) on financial distress (Y) with cash flow mediation (Z) is 0.049752, meaning that if corporate social responsibility (X2) increases, financial distress (Y) will increase by 0.049752 with cash flow mediation (Z). Furthermore, the probability value of corporate social responsibility (X2) towards financial distress (Y) is 0.1999 > .05, meaning that the corporate social responsibility variable (X2) does not have a significant effect on financial distress (Y) with cash flow mediation (Z).
g) The coefficient value of operating capacity (X3) towards financial distress (Y) with cash flow mediation (Z) is -0.037025, meaning that if operating capacity (X3) increases, financial distress (Y) will decrease by 0.037025 with cash flow mediation (Z). Furthermore, the probability value of operating capacity (X3) towards financial distress (Y) is 0.0946 > 0.05, meaning that the operating capacity variable (X3) does not have a significant effect on financial distress (Y) with cash flow mediation (Z).

Discussion

The Effect of Cash Holding on Financial Distress

The results of the T-test showed a cash holding coefficient value of -0.391138 with a significant probability of 0.0000 <0.05. This shows that partially cash holding has a significant negative effect on financial distress. Based on the results of this study, it can be concluded that **H1 is accepted**, which means that if cash holding increases, a company's financial distress will decrease.

Based on signaling theory, cash holding can be used as a good signal by the company to interested parties. High cash holding can show that the company has good and stable financial capabilities. With this ability, the company can reduce financial risk, so that it can attract investors to invest. The results of this study are in line with

the results of research conducted by (Prasetio, 2023) that cash holding has a significant negative effect on financial distress.

The Influence of Corporate Social Responsibility on Financial Distress

The results of the T-test obtained a coefficient value of corporate social responsibility of 0.192913 with a significant probability of 0.0905> 0.05. This shows that partially corporate social responsibility has a positive but insignificant effect on financial distress. Based on the results of this study, it can be concluded that **H2 is rejected** because the direction of influence is different from the initial hypothesis. The results of this study are supported by research by (Cahyoputro & Hadiprajitno, 2022) and (EDT et al., 2023) which revealed that corporate social responsibility has a positive but insignificant effect on financial distress.

This occurs because the results of the corporate social responsibility test have a positive but insignificant effect on financial distress, which means that when the corporate social responsibility value increases, the financial distress score of a company will also increase. This is in accordance with the signaling theory that the disclosure of corporate social responsibility can provide signals to investors and stakeholders regarding information on the company's social activities. In other words, when a company spends money on social activities, the company will get a good image from the public and also investors. Thus, attracting investors to invest in companies will result in an increase in the financial distress score.

The Effect of Operating Capacity on Financial Distress

The results of the T-test obtained an operating capacity coefficient value of -0.005389 with a significant probability of 0.9192> 0.05. This shows that partially operating capacity has a negative but insignificant effect on financial distress. Based on the results of this study, it can be concluded that **H3 is rejected** because it has a different effect on the initial hypothesis. The results of this study are supported by research by (Dirman, 2021) and (Idawati & Wardhana, 2021) which revealed that operating capacity does not have a significant negative effect on financial distress.

This occurs because the results of the operating capacity test do not have a significant negative effect on financial distress. This means that when operating capacity increases, a company's financial distress will also increase. Based on signaling theory, increasing operating capacity indicates a positive signal for the company's ability to meet demand and produce quality output. This makes the company able to generate large profits. However, the greater the profit obtained by the company, the more opportunities it will open up for controlling shareholders to use their control rights. These control rights are used for their personal interests, which will increase a company's financial distress.

The Effect of Cash Holding on Financial Distress with Cash Flow as a Moderating Variable

Based on the results of the MRA test, the significant probability value of the interaction variable between cash holding and cash flow is 0.0000 <0.05. This means that the cash flow variable is able to moderate the effect of cash holding on financial distress. In addition, the regression coefficient value for the interaction of cash holding on cash flow is also obtained at 0.437835 which is positive. Based on the results of this study, it can be concluded that **H4 is accepted**, meaning that the presence of a cash flow variable is able to strengthen the relationship between cash holding and financial distress.

Based on signaling theory, recording cash flow can be a positive signal that is very much needed by prospective investors to assess the company's financial condition. In line with the research of (Maulana, Cheria, Halim, Gea, & Afiezan, 2022) the existence of good cash flow can indicate that the company is experiencing increased sales, so that the company is able to increase cash holding. When a company's cash holding increases, the company's level of financial distress will decrease.

The Influence of Corporate Social Responsibility on Financial Distress with Cash Flow as a Moderating Variable

Based on the results of the MRA test, the significant probability value of the interaction variable between corporate social responsibility and cash flow was 0.1999> 0.05. This means that the cash flow variable is unable to moderate the effect of corporate social responsibility on financial distress. In addition, the regression coefficient value for the interaction of corporate social responsibility on cash flow was also obtained at 0.049752 which is

positive. Based on the results of this study, it can be concluded **that H5 is rejected**, meaning that the cash flow variable is unable to strengthen the relationship between corporate social responsibility and financial distress.

Based on signaling theory, cash flow is a signal for users of financial statements to determine future decisions. In each period, cash flow shows different numbers and cannot be far apart in a short period. In this study, there may be a large gap between the numbers in the study period, causing cash flow instability. According to research conducted by (Hikmah, 2024) when cash flow is unstable and the company does not take the initiative to allocate more funds for social activities, it will reduce the level of investor trust in the company. When this happens, many investors will not invest in the company, causing the company to experience financial difficulties or financial distress.

The Effect of Operating Capacity on Financial Distress with Cash Flow as a Moderating Variable

Based on the results of the MRA test, the significant probability value of the interaction variable between operating capacity and cash flow was 0.0946> 0.05. This means that the cash flow variable is unable to moderate the effect of operating capacity on financial distress. In addition, the regression coefficient value for the interaction of operating capacity on cash flow was also obtained at -0.037025 which is negative. Based on the results of this study, it can be concluded that **H6 is rejected**, meaning that the cash flow variable is unable to strengthen the relationship between operating capacity and financial distress.

Based on signaling theory, cash flow is a signal for users of financial statements to make decisions and take action or anticipate future impossibilities. In each period, cash flow shows different numbers and cannot be far apart in a short period. However, the inability of cash flow to moderate in this study may be due to the large distance between the numbers in the study period. In accordance with the research of (Mariani & Suryani, 2021) cash flow that experiences short-term changes in a period indicates that cash flow cannot indicate the state of the company's operating capacity. when this happens, the company's profit situation is also not described, this will affect the investor's decision to invest in the company. in other words, when cash flow cannot show the level of operating capacity, the company's profit situation cannot be described which will cause a decrease in investment interest in the company which leads to financial problems or financial distress.

E. CONCLUSION AND SUGGESTIONS

The conclusion of the study is that there are two accepted hypotheses from the six hypotheses formulated. The results of the study indicate that cash holding has a significant negative effect on financial distress. While corporate social responsibility and operating capacity do not have a significant effect on financial distress. In addition, cash flow is able to moderate the effect of cash holding on financial distress, however, it cannot strengthen the relationship between corporate social responsibility and operating capacity on financial distress. Further researchers are expected to add research samples and other types of industrial sub-sectors and increase the research period. Further researchers are expected to use other financial distress measuring instruments such as the Springate, Zmijewski, Grover, and Ohlson models. Further researchers are expected to add other independent variables such as good corporate governance, Islamic social reporting and others. In addition, further researchers are also expected to use other moderating variables in order to determine the effect of interaction in strengthening or weakening the influence on the dependent variable.

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