

**ANALYSIS OF INVESTMENT DECISIONS, FUNDING DECISIONS, FINANCIAL RISK
MANAGEMENT IMPACTS ON FINANCIAL DISTRESS WITH MODERATION OF
GOOD CORPORATE GOVERNANCE IN MANUFACTURING INDUSTRY SECTORS
LISTED ON THE INDONESIA STOCK EXCHANGE**

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ABSTRACT

Globally, the development of the manufacturing industry can be used as a parameter for national industrial development in a country. Therefore, to keep manufacturing companies continuing or developing, it is necessary to have clear policies in developing this manufacturing industry. Some manufacturing companies did not develop as expected because they experienced Financial Distress (FD). The study population was conducted at several manufacturing companies that experienced financial distress with the study period from 2015-2018. The research sample was determined by non-random sampling (purposive sampling) to determine which companies are included in the Financial Distress category. Of the 163 manufacturing companies listed on the Indonesia Stock Exchange / IDX for the 2015-2018 period, 32 companies were included in the FD category. In this study, Smart PLS software is used to analyze and prove the effect of investment decisions, capital decisions, and financial risk management on financial distress by using good corporate governance / GCG as a moderating variable. The results showed that capital decisions, financial risk management, and good corporate governance had a significant effect on financial distress, except that investment decisions had no significant effect on financial distress. GCG significantly moderates the effects of investment decisions, capital decisions, and financial risk management on financial distress.

Keywords: *Investment decision, Capital decision, Financial risk management, Good corporate governance, and Financial distress.*

PRELIMINARY

The manufacturing industry sector is one of the economic activities which in its activities converts the input into an output. Globally, the development of the manufacturing industry can be used as a parameter for national industrial development in a country. Therefore, to keep manufacturing companies continuing or developing, it is necessary to have clear policies in developing this manufacturing industry. The manufacturing industry is a labor-intensive industry

that requires resources. Referring to data from the Central Statistics Agency (BPS) for August 2018, the Open Unemployment Rate was still 5.34 percent. This means, there are still 7 million unemployed people. This shows that there are still many workers who have not got a job to fulfill a decent life. It is hoped that increased growth in the manufacturing industry can absorb labor in Indonesia so that it will reduce the number of unemployed (Faisal Basri). Based on BPS data (2017), it was found that the average growth of the total manufacturing industry in 2017 was 4.18%, a decrease from the 2011-2016 average of 4.18%. 4.92%.

To develop a manufacturing company, it is necessary to carry out various kinds of macro and micro fundamental analysis. The right micro fundamental analysis can improve the development of a company, this is because micro fundamental policies are policies carried out by company managers so that the existence of good governance carried out by company managers will have an impact on the company's development. One of the micro fundamental analyzes that can be done is to pay attention to the company's financial decisions. The company's financial decision is one of the internal factors that need to be considered because an incorrect policy on investment will make the company experience difficulties in the company's operational activities. Damodaran (2014) and Brigham & Houston (2014) state that there are 3 factors of financial decisions, namely investment decisions, funding decisions, and dividend decisions. Various.

This internal decision determines whether the company is able and survives in its business or Financial Distress (FD) may occur. The growth of public companies, where the funds owned are investments that come from the public and company managerial, is also determined by the role of investors. Every policy established by the company must pose a risk. Moreover, the policy is related to company financial policies. Therefore, the involvement of investors in good corporate governance (GCG) will have an impact on company growth. Agency theory explains that the problems that arise when shareholders rely on the ability of managers to provide services on behalf of shareholders and that the interests of agents must be in line with the principles for solving agency problems (Jensen and Meckling, 1976). On the other hand, the manager (agent) with the authority they have can act for their interests at the expense of the interests of the shareholders. Therefore, it is necessary to have good corporate governance or Good Corporate Governance (GCG). The corporate governance mechanism aims to create added value for all interested parties, so that there is no conflict between the agent and the principal which has an impact on reducing agency costs (Bodroastuti, 2009), and is directed to guarantee and oversee the running of a governance system in an organization (Walsh and Seward, 1990). The phenomenon that occurs is based on the Financial Distress analysis during the research period of 163 manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2018 period, 32 companies are included in the FD category. This shows that even though the company has gone public, it is still experiencing FD which can hurt investors. Therefore, it is necessary to study the factors that can influence the company's growth, which is analyzed through the company's ability to fulfill its obligations / financial distress.

Financial Distress (FD)

A condition in which a company faces financial difficulties is called financial distress. Whitaker (1999) states that a company can be said to be in an FD condition if the company has a net profit negative for several years. Andrade and Kaplan in Ross, et al (2006), FD occur when a

company cannot fulfill its legal obligations, especially in terms of debt payments, and is threatened with bankruptcy. If this happens, it will result in bankruptcy costs caused by being forced to sell assets below-market prices, company liquidation costs, damage to fixed assets before selling and so on. Bankruptcy costs not only occur when the company is completely bankrupt, but can also occur when the company is threatened with bankruptcy. This is because management tends to spend more time avoiding bankruptcy than making good corporate decisions. Altman (1968) stated that FD is related to insolvency conditions. This happens when the company has negative equity, where the asset value is less than the debt value.

Investation Decision

Investment relates to the management of resources owned in the long term to generate profits in the future. Investment is the investment of funds made by a company into an asset with the hope of earning future income. Fama (1998) in Hidayat (2010: 458) states that company value is only determined by investment decisions.

This opinion states that investment decisions are important because to achieve company goals will only be generated through the company's investment activities. The decision to invest must be made carefully because it involves policies in the use of funds and returns received by the company. Various types of investments made by companies include cash and securities (Horne, Warchowicz, 2014: 250) which become the company's working capital, both short and long term. Capital derived from debt for the short term is the main source of external funding. In a manufacturing company, total current assets are usually more than half of total assets. The higher current asset level will result in a faster return on investment (ROI), but companies with smaller current assets will disrupt their operational activities and will difficulty maintaining smooth operations (Horne, Warchowicz, 2014: 250). Difficulty in maintaining its operations results in difficulties for the company in fulfilling its short-term and long-term obligations. If this situation is not managed properly, there is a tendency for bankruptcy to occur.

H1: Investment decisions have a significant effect on financial conditions
Corporate distress

Funding Decisions

The funding decision indicates how the company finances its operational activities or finances its assets. Funding decisions result in a capital structure. The financial structure reflects the balance between total debt and equity, which is the company's decision in determining the funding to be used, both current liabilities and long term debt, as well as the company's share capital consisting of preferred stock and common stock. In choosing funding sources, Pecking Order Theory establishes a sequence of funding decisions in which managers will first choose to use retained earnings, debt, and share issuance as a last resort (Ramlall, 2009: 84). This theory is based on the argument that the use of retained earnings is cheaper than external sources of funds. The use of external sources of funds through debt will only be used if investment requirements are higher than internal sources of funds (Dar-Hsin Chen et al, 2013: 1-3). The pecking order theory states that:

- a. Companies like internal financing (funding from the company's operations).

- b. The company tries to adjust the targeted dividend distribution ratio by trying to avoid drastic dividend payments.
- c. Dividend policy is relatively reluctant to change, accompanied by fluctuations in profitability and investment opportunities that can not be expected to result in the result of operating funds sometimes exceeding the need for funds for investment even though on other occasions it may be less. If the funds resulting from operations are less than the investment requirement, the company will reduce its cash balance or sell its securities.
- d. If external financing is required, the company will issue the safest securities first, starting with the issuance of bonds, then followed by options with options (convertible bonds), then finally issuing new shares if they are not sufficient.
- e. The company's error in deciding the type of funding to use will have an impact on the expected return which will have an impact on the company's bankruptcy.

H2: Funding decisions have a significant effect on the company's Financial Distress Condition

Financial Risk Management (FRM)

Risk management is a structured approach to managing the uncertainty related to threats (Mamduh, 2014). Risks arise because of the company's activities to achieve strategic goals. Risk must be managed properly because it aims to minimize the impact of risk and achieve this goal because in developing its business there will be many interests from various parties related to the company, especially investors. Anthony S. and Marcia (2014: 173) state that the main goal of the company is to get benefits for the owner. But this condition requires costs and creates risks that must be faced by the company. Some of these risks include interest rate risk, credit risk, liquidity risk, foreign exchange risk, country or sovereign risk, market risk, off-balance-sheet risk, technology risk, operational risk, and insolvency risk. Also, there are 2 other risks (Mamduh 2014: 6), namely pure risk and speculative risk. Pure risk is the risk where there is a possibility of loss but no possibility of making a profit. Speculative risk is the risk where we expect losses as well as gains. Speculative risk is the risk that occurs in a business venture. Several types of risk include market risk, credit risk, liquidity risk, and operational risk (Mamduh: 2014: 6).

In the Annual Report of publicly-traded companies in the financial statement notes, it is described that the risks faced by manufacturing companies are risks related to the condition of the company, namely Financial Risk Management (FRM) which is measured using a liquidity ratio which includes the current ratio, quick ratio or acid test ratio.

Research conducted by Linshan Li (2018) on the impact of risk on financial performance shows that complex business developments require a more sophisticated risk management framework at the highest level of the organization. However, this study does not provide sufficient evidence to arrive at an absolute conclusion that FRM does produce company performance. A company always expects the company's value to grow. To develop a company, every management must be faced with various risks. If the company can control risk well, the company will face less risk so that the company value will increase. If the risk control is not good, the company will face a big risk that can cause problems for the company, or the company will experience a decline in business which will eventually go bankrupt and the company will not be able to fulfill its obligations. This condition causes the company to experience financial distress.

The explanation above shows that financial problems cannot be separated from risk problems and this is a problem that is always faced by all companies. Many kinds of risks arise in each company, but what happens in manufacturing companies, the most important risk is an operational financial risk, which is determined by the liquidity ratio.

H3: Financial Risk Management has a significant effect on the company's Financial Distress Condition

Good Corporate Governance (GCG)

In the free-market era, business activities have begun to be required to develop, implement a new system and paradigm in business management, namely the principles of good corporate governance (GCG). GCG is a pillar of the market economic system, as it relates to public trust in companies. Externally, the company will be more trusted by investors. According to the Organization for Economic Corporation and Development (OECD), GCG is a structure for setting company goals, suggestions for achieving these goals, and determining supervision of company performance. The GCG mechanism aims to create added value for all interested parties so that there is no conflict between the agent and the principal which has an impact on reducing agency costs (Bodroastuti, 2009). Based on agency theory, the GCG mechanism can create added value for all interested parties, so that there is no conflict between the agent and the principal or to reduce agency problems which in the long run can lead to an indication of bankruptcy.

H4: Good Corporate Governance moderates the effect of investment decisions, funding decisions, and financial risk management on the company's financial distress condition.

RESEARCH METHOD

Population and Sample

The population used in this study are manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2018. The research sample was determined using a purposive sampling method, which is one of the non-random sampling techniques to determine which companies have entered the FD category. Determination of the category of companies included in the financial distress group is carried out by analyzing the growth of 3 criteria, namely: Quick Ratio (QR) Growth; Net Operating Income (NOI) growth; and Earning Per Share (EPS) Growth (Ulfi, 2018). Data on manufacturing companies listed on the Indonesia Stock Exchange until 2018 were 163 manufacturing companies. In the development until 2018, 3 companies experienced delisting, and 10 companies that just did an IPO in 2017. Thus, the manufacturing companies studied were 150 manufacturing companies. Based on the Financial Distress analysis of 150 manufacturing companies listed on the Indonesia Stock Exchange in the 2015- period 2018 32 companies are included in the FD category.

Based on the consideration of the level of importance of each indicator, a score is made for each indicator as follows:

Growth QR = 3 (very important) Growth NOI = 2 (important) Growth EPS = 1 (quite important)

The criteria for the FD criteria of this study will be determined by determining the positive (+) and negative (-) signs of growth based on the score. Companies that experience growth (+) in all categories are given a score of "0", while companies that are growing (-) are scored according to

predetermined criteria so that the total score for each company is known. Based on the number of scores obtained, it is determined that the group of companies in FD and non-FD conditions with the condition $0 < \text{total score} < 6$. The criteria for grouping the companies are:

a. If the total score > 3 companies are grouped as FD

b. If the total score is ≤ 3 companies are grouped in the non-FD condition

1. Financial Distress (FD). A condition in which the company faces financial difficulties. Financial distress occurs when a company cannot fulfill its obligations, especially in terms of debt payments (Ross, et al., (2006), Asquith et al. (1994)

2. Investment Decisions. Management decisions in determining the right investment with the expectation of a return by what was invested (Horne, Warchowicz, 2014)

3. Funding Decisions. Management decisions in determining the optimal capital structure so as not to interfere with company operations (Brigham, Houston, 2014)

4. Financial Risk Management / FRM. The amount of risk faced by the company. Company risk information contained in the company's financial statements (CALK Annual Report for Go Public manufacturing companies).

5. Good Corporate Governance (GCG). The relationship between two aspects of the governance structure is the composition of the board of directors and the leadership structure of the board of directors (Daily and Dalton, 1994).

DATA ANALYSIS TECHNIQUE

This study used two data analyzes, namely statistical analysis and descriptive analysis. Statistical analysis is used to analyze the research hypothesis, while descriptive analysis is used to explain the results obtained from statistical analysis. The analysis tool used is Smart PLS (Partial Least Square) software.

DATA ANALYSIS AND DISCUSSION

1. Evaluation of Outer Model

a. Convergent Validity

To test the convergent validity, the outer loading or loading factor value is used. An indicator is declared to meet the convergent validity in the good category if it has a loading factor value > 0.50 . The following is the value of outer loading stage 1 of each indicator in the research variable:

Table 1

Convergent Validity Step 1

Variable	Item	original estimate	sample P-Values	Note
Investment Decision (X_1)	CAP/BVA	0.190104	0.000	Invalid
	CAP/MVA	0.227279	0.000	Invalid
	MVA/BVA	0.072034	0.000	Invalid
	MVE/BVE	0.198354	0.000	Invalid
	PPE/BVA	0.924784	0.000	Valid
	BDA	0.958703	0.000	Valid

Financing Decision (X ₂)	DER	0.421711	0.000	Invalid
	LDE	0.378092	0.000	Invalid
	MDE	0.787861	0.000	Valid
	PER	0.005114	0.000	Invalid
Financial Risk Management (X ₃)	CR	0.985582	0.000	Valid
	QR	0.986917	0.000	Valid
Financial Distress (Y)	FD	1.000000	0.000	Valid
Good Corporate Governance (GCG) (Z)	GCG	1.000000	0.000	Valid

Source: Processed data

Based on the convergent validity test shown in Table 1, it is known that several indicators in each research construct are declared inadequate or invalid for use because they have a convergent validity value below 0.5, so a retest is carried out by issuing indicators that are considered to have a convergent validity value below 0.5. The results of the retest or step 2 are shown in Table 2.

Table 2. Convergent Validity Step 2

Variable	Item	<i>original sample estimate</i>	<i>P-Values</i>	Note
Investment Decision (X ₁)	PPE/BVA	1.000000	0.000	Valid
Financing Decision (X ₂)	BDA	0.969589	0.000	Valid
	MDE	0.799594	0.000	Valid
Financial Risk Management (X ₃)	CR	0.985582	0.000	Valid
	QR	0.986917	0.000	Valid
Financial Distress (Y)	FD	1.000000	0.000	Valid
Good Corporate Governance (GCG) (Z)	GCG	1.000000	0.000	Valid

Source: Processed data

Based on the evaluation of convergent validity stage 2, it is known that all indicators in the research variables already have an outer loading value greater than 0.50, so that all indicators are concluded to be valid in measuring each research variable and meet convergent validity so that they can be used for further analysis.

b. Discriminant Validity

The discriminant validity test aims to test the validity of the indicator block. The discriminant validity test uses the cross-loading value. An indicator is declared to meet discriminant validity if the cross-loading value of the indicator on the variable is the largest compared to other variables.

Table 3. Cross Loadings

	Investment Decision (X ₁)	Financing Decision (X ₂)	Financial Risk Management (X ₃)	Financial Distress (Y)	Good Corporate Governance (GCG) (Z)
BDA	-0.052948	0.969589	-0.670489	-0.199099	-0.232792
MDE	-0.123666	0.799594	-0.373238	-0.081139	-0.381856
CR	-0.168227	-0.633082	0.985582	0.493013	-0.004893
QR	-0.155586	-0.619775	0.986917	0.517385	-0.031116
FD	-0.059490	-0.179217	0.512532	1.000000	0.026601
GCG	-0.177941	-0.299827	-0.018576	0.026601	1.000000
PPE/BVA	1.000000	-0.079776	-0.164006	-0.059490	-0.177941

Source: Processed data

In Table 3, it can be seen that each indicator in the research variable has a greater cross-loading value on the variables it forms than the cross-loading value on other variables. This means that the indicators used in the study have good discriminant validity in compiling their respective variables. Apart from observing cross-loading, discriminant validity can also be determined through the AVE method which aims to test the reliability of the construct variables. AVE aims to determine that the constructed variable has a good Discriminant validity value. AVE value is declared satisfactory if > 0.5 . The AVE test results are shown in the following table:

Table 4. Value of AVE

	AVE
Financial Distress (Y)	1.000000
Financial Risk Management (X ₃)	0.972689
Good Corporate Governance (GCG) (Z)	1.000000
Investment Decision (X ₁)	1.000000
Financing Decision (X ₂)	0.789727

Source: Processed data

The results of the AVE value for the indicator block that measures the construct can be declared to have good discriminant validity because the AVE value is > 0.5 . This means that all construct variables have good discriminant validity.

c. Composite Reliability

Composite reliability is the part used to test the reliability value of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value > 0.70 . The following is the composite reliability value of each variable used in this study:

Table 5. Composite Reliability

	<i>Composite Reliability</i>
Financial Distress (Y)	1.000000
Financial Risk Management (X ₃)	0.986155
Good Corporate Governance (GCG) (Z)	1.000000
Investment Decision (X ₁)	1.000000
Financing Decision (X ₂)	0.881555

Source: Processed data

Based on the data in the table above, it can be seen that the composite reliability value of all research variables is > 0.70. These results indicate that each variable has met the composite reliability so that it can be concluded that all variables are adequate in measuring the latent / construct variables being measured so that they can be used in further analysis.

Inner Model Test

Hypothesis testing is done using Partial Least Square (PLS) analysis with the SmartPLS program. Figure 2 shows the PLS model of the proposed study.

Hypothesis Test

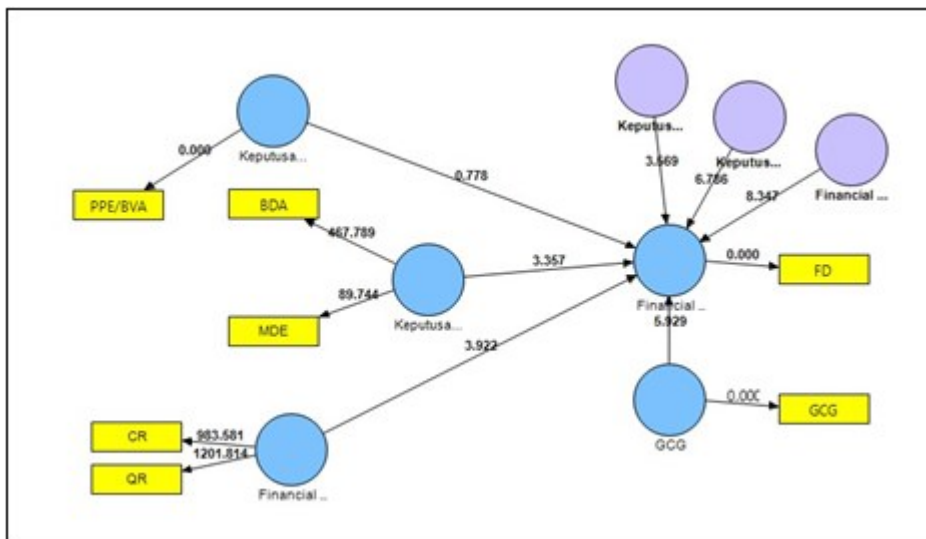


Figure 2 : Inner Model Tes

To answer the research hypothesis proposed, the t-statistic value can be seen as in Table 6.

Tabel 6. Result of Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ((O/STERR))
Financial Risk Management -> Financial Distress	-0.739020	-0.732363	0.188452	0.188452	3.921532
Financial Risk Management * GCG -> Financial Distress	1.587807	1.565283	0.190221	0.190221	8.347150
GCG -> Financial Distress	-0.524571	-0.511808	0.088479	0.088479	5.928797
Investment Decision -> Financial Distress	-0.044945	-0.042049	0.057774	0.057774	0.777939
Investment Decision * GCG -> Financial Distress	0.223481	0.219543	0.062609	0.062609	3.569460
Financing Decision -> Financial Distress	-0.352209	-0.335770	0.104924	0.104924	3.356791
Financing Decision * GCG -> Financial Distress	0.734001	0.709872	0.108163	0.108163	6.786058

Source: Processed data

The Effect of Investment Decisions on Financial Distress

The magnitude of the influence of investment decisions (X1) on financial distress (Y) is -0.044945 with a T-statistics value of 0.777939, where the T-statistics value is less than 1.96, so it can be concluded that investment decisions (X1) have no significant effect on financial distress (Y), the greater the investment decision (X1) does not have a real impact on changes in decreasing financial distress (Y). Thus, the proposed hypothesis cannot be accepted.

Investment decisions have no significant effect on financial distress, which means that changes in company policy in investment decisions do not have a real impact on changes in financial distress.

The Effect of Funding Decisions on Financial Distress

The magnitude of the effect of funding decisions (X2) on financial distress (Y), is -0.352209 with a T-statistics value of 3.356791, where the T-statistics value is greater than 1.96, so it can be concluded that the funding decision (X2) has a significant effect. on financial distress (Y), the greater the funding decision (X2) has a real impact on changes in reducing financial distress (Y). Thus, the hypothesis can be accepted.

Funding decisions have a significant effect on financial distress, the greater the funding decisions have a real impact on changes to reduce financial distress.

Effect of Financial Risk Management on Financial Distress

The magnitude of the influence of financial risk management (X3) on Financial Distress (Y) is -0.739020 with a T-statistics value of 3.921532, where the T-statistics value is greater than 1.96, so it can be concluded that financial risk management (X3) has a significant effect on financial distress

(Y), the greater the financial risk management (X3) has a significant impact on changes in reducing financial distress (Y). Thus, the hypothesis can be accepted.

Financial risk management has a significant effect on financial distress, the greater the financial risk management has a real impact on changes to reduce financial distress.

The moderate impact of Good corporate governance (GCG) on the effect of investment decisions on financial distress

Good corporate governance (GCG) has a significant effect in moderating investment decisions on financial distress, the better good corporate governance (GCG), the investment decisions will be well organized so that they have a real impact on financial management to reduce the level of financial distress. This means that good corporate governance (GCG) moderates investment decisions on financial distress.

The magnitude of the influence of good corporate governance (Z) moderates investment decisions (X1) on financial distress (Y), is 0.223481 with a T-statistics value of 3.569460, where the T-statistics value is greater than

1.96, so it can be concluded that the moderation of good corporate governance (Z) on the effect of investment decisions (X1) on financial distress (Y) is significant. The better good corporate governance (Z), the investment decision (X1) will be well organized so that it has a real impact on financial management to reduce the level of financial distress (Y). Thus, the proposed hypothesis is accepted.

The moderating impact of Good corporate governance (GCG) on the effect of funding decisions on financial distress

Good corporate governance (GCG) has a significant effect in moderating financial distress decisions, the better good corporate governance (GCG), the better the funding decisions will have a real impact on financial management to reduce the level of financial distress which means good corporate governance (GCG) moderates funding decisions on financial distress.

The magnitude of the influence of good corporate governance (Z) moderates funding decisions (X2) on financial distress (Y), is 0.734001 with a T-statistics value of 6.786058, where the T-statistics value is greater than 1.96, so it can be concluded that good Corporate governance (Z) has a significant effect on moderating funding decisions (X2) on financial distress (Y), the better good corporate governance (Z), the funding decisions (X2) will be well organized so that they have a real impact on financial management to suppress financial levels distress (Y). Thus, the proposed hypothesis is accepted

Moderate impact of Good corporate governance (GCG) on the effect of financial risk management on financial distress

Good corporate governance (GCG) has a significant effect in moderating financial risk management on financial distress, the better good corporate governance (GCG), the better the financial risk management will be so that it has a real impact on financial management to suppress the level of financial distress which means good corporate governance (GCG) moderates financial risk management against financial distress

The amount of influence of good corporate governance (Z) moderates financial risk management (X3) on financial distress (Y), is 1.587807 with a T-statistics value of 8.347150, where the T-statistics value is greater than

1.96, so it can be concluded that good corporate governance (Z) has a significant effect on moderating financial risk management (X3) on financial distress (Y), the better good corporate governance (Z), the financial risk management (X3) will be well organized so that has a real impact on financial management to reduce the level of financial distress (Y). Thus, the proposed hypothesis is accepted.

Structural Model Test (*Inner Model*)

Model assessment with PLS begins by looking at the R-square for each dependent latent variable. Changes in the R-square value can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it has a substantive effect. For endogenous latent variables in the structural model which has R2 results of 0.75, it indicates that the model is "strong", R2 is 0.50 indicating that the model is "moderate", R2 is 0.25 indicating that the model is "weak" (Ghozali, 2016). The PLS output is as explained below:

Tabel 7. R-Square Value

	R Square
<i>Financial Distress (Y)</i>	0.365728

Source: Processed data

Based on the results of testing the R-square value above, it can be interpreted that the independent variables Investment Decision (X1), Financial Risk Management (X3), Financing Decision (X2), and Good Corporate Governance (Z) affect the Financial Distress variable (Y) in the structural model and has an R2 value of 0.365728 which indicates that the model is "weak".

The results of the R-square value test are interpreted that the variables of Investment Decisions, Financial Risk Management, Funding Decisions, and Good Corporate Governance (GCG) which affect the Financial Distress variable in the structural model have an R2 value of 0.365728 which indicates that the model that occurs from the analysis of this research is "weak".

Conclusions and Recommendations

Conclusion

Based on the research results, it can be concluded that manufacturing companies that are in the category of experiencing financial difficulties (FD) are:

1. Investment decisions have no significant effect on financial distress in manufacturing companies listed on the IDX.
2. Funding decisions have a significant effect on financial distress in manufacturing companies listed on the IDX.
3. Financial risk management has a significant effect on financial distress in manufacturing companies listed on the IDX.

4. Good corporate governance (GCG) has a significant effect on moderating investment decisions on financial distress in manufacturing companies listed on the IDX.
5. Good corporate governance (GCG) has a significant effect on moderating funding decisions on financial distress in manufacturing companies listed on the IDX.
6. Good corporate governance (GCG) has a significant effect on moderating financial risk management on financial distress in manufacturing companies listed on the IDX.
7. The structural model of this research analysis is “weak”.

Suggestion

Research on Financial Distress is important to research because it is needed by companies or investors. After all, many factors need to be considered by companies and investors in investing. Based on the results of the analysis that shows that GCG is significant in moderating the variables used, it illustrates that in a company that is categorized as FD, it is necessary to have good financial governance from managerial so that the company becomes better and becomes healthier.

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