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Determining Factors in the Indirect Financial Distress Cost in Companies in the Basic and Chemical Industry Sector Listed on the Indonesia Stock Exchange

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Abstract:- This study is carried out to determine whether the determining factors for financial distress really do matter significantly to these financial difficulties. Independent variables in this study are leverage, firm size, tangible and intangible assets, Tobins' Q, liquid assets, and change in investment policy. This study gathered data from 17 companies in the basic industry and chemicals listed in the Indonesian Stock Exchange in 6 years (2015-2020) by using multiple regression models to test it. The findings in this study indicate that the size of the company, Tobins' Q, tangible and intangible assets, and changes in investment policy have no significant effect on financial distress. While leverage and liquidity assets have a significant negative effect on financial distress. The results of this study are expected to provide advice and recommendations to companies in managing their company's finances and establishing good investment policies so that the company's finances remain stable also maintain the level of leverage doesn't increase so that the company does't experience financial distress. When a decrease in the level of the company's liquidity position will increase financial difficulties, the company is not in a position to commit when it matures. Companies with low leverage will have a tendency to protect all shareholders so as not to cause financial difficulties. That's when investors can invest in companies in these conditions and the results can provide an early signal as a sign to managers.

Keywords:- *Indirect financial distress cost; investment policy; financial distress; basic industry and chemicals sector.*

I. INTRODUCTION

The development of the business world today creates greater competition between similar companies. The company in facing this fairly tight competition requires good policies in financial management that must be carried out by management properly. The high level of competition makes companies have to try to maintain their financial condition so as not to experience financial difficulties. Financial distress has become one of the most debated issues in the financial sector due to the failure of several companies which also had a significant impact on stakeholders and the state of the country's economy. Financial distress can occur in all industries including manufacturing companies and can be considered as a signal of bankruptcy for these companies (Farooq et al., 2021). Companies in the basic and chemical industrial sectors are one of the sectors of the manufacturing industry that produce raw materials which will then be processed into finished goods. Since the beginning of 2017, the basic and chemical industry sector recorded very high growth. However, economic conditions experienced a decline in early 2020 which caused companies in the basic and chemical industry sector to experience a decline in asset value.

The literature categorizes financial distress into two parts: direct financial distress costs and indirect financial distress costs (Salehi et al., 2017). If the company experiences financial difficulties and is left alone, the company will be forced to go out of business. Companies experiencing financial difficulties try to apply aggressive credit policies to clients to gain market advantage (Osinubi, 2020).

The need for a strategy in handling financial distress is not only beneficial for the company but also for the stakeholders as their respective rights. The phenomenon of financial distress actually occurs in the business world, both for large and small companies. The level of difficulty experienced by companies in the financial crisis can make investors and lenders suspicious if the company cannot fulfill its obligations to them. Financial distress can cause companies to lose customers, suppliers, employees, and even value in the market. In this case, the financial statements of a company become the basis for measuring the soundness of a company as measured by financial ratios. Research conducted by Farooq et al., (2021) shows that leverage, firm size, intangible assets have an influence on the occurrence of financial distress in a company.

Among other sectors in the manufacturing industry, the industrial sector also plays the largest role in the structure of Gross Domestic Product in 2020 and has a high investment value in early 2020. In addition, companies that are included in the basic and chemical industry sectors also have assets that are not more tangible forms than other sectors so that it can support the economy of the manufacturing industry. This study aims to determine whether there is an effect of Leverage, Firm Size, Intangible Assets, Tangible Assets, Liquid Assets, Tobin's Q, and Change in Investment Policy on Indirect Financial Distress Costs.

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II. LITERATURE REVIEW

A. *Theoritical Basis*

a) Indirect Financial Distress Cost

The stage of deteriorating financial conditions that occurs before bankruptcy or liquidity occurs is defined as financial distress (Platt and Platt, Fahmi, 2014). Financial difficulties occur due to the company's inability to meet short-term obligations include liquidity obligations. There are several kind of financial difficulties according to (Hidayat, 2014), which are: insolvency in bankruptcy, legal bankruptcy, economic failure, technical solvency, business failure.

b) Leverage

Leverage is the company's ability to use fixed cost assets or funds to increase income (return) for company owners. According to Fitriyah and Hariyati (2013) the leverage ratio is the degree to which a company relies on debt financing. If management uses debt that is too large to fund the company's operations, problems that can occur are the payment of the remaining loan and interest in the future.

Leverage consists of financial leverage and operating leverage. Financial leverage occurs when the company's financial structure has debts/liabilities (Sunardi & Permana, 2019). Operating leverage is caused by partly fixed operating costs, while the increase in operating volume is large enough that profits can increase or decrease rather than changes in operating volume. According to Sartono (2016) leverage shows the proportion of debt capital used to finance an investment. Companies without leverage use their own capital as a whole.

c) Firm Size

Firm size is a ratio that can classify large and small companies in various ways. The size of the company can be seen through the company's total assets. Companies with high total assets indicate that the company has reached maturity because the cash flow of the company is positive at that time and is considered promising in the long term (Siti Nurhotimah, 2015).

Potharla & Amirishetty (2021) say that large companies show better financial performance than small companies. If the company is experiencing a dis economies due to the inability to regulate the size of the company, this can result in lower financial performance and if left unchecked will experience financial difficulties.

Firm size is one indicator of the company's financial strength. Firm size is believed to affect the value of the firm, the larger the company, the easier it is for the company to obtain sources of funding. Sunardi L. H. (2017) shows that firm size has a positive impact on firm value.

d) Intangible Assets

Intangible assets are non-monetary assets that can be identified without physical form, which is very important for management which can affect the company's performance for the long-term success of management. In order to carry out business processes so that the products produced are of higher quality and more innovative to provide more value for the company in the form of competitive advantage, it is an intangible asset related to knowledge and technology. (IAI, 2015). (Dalwai & Salehi, 2021) said that intangible assets are economic resources and an important factor in improving financial performance so that companies do not experience financial difficulties due to the decline in the company's intangible assets. In addition, intellectual capital is a form of intangible asset that has a role in innovation, value creation, and improving company performance.

e) Tangible Assets

Tangible assets are the main reason to explain the company's capital structure (Charalambakis & Psychoyios, 2012). In general, tangible assets are more liquid than intangible assets. Tangible assets's ownership should provide companies with those assets with increased debt capacity. The composition of tangible assets is important to explain the level of debt in the company (Giambona, Golec, & Schwienbacher, 2014). Tangible assets that can be used in different industries should show a higher debt capacity for the company.

Tangible assets are stated to be very important for a company's ability to increase its leverage capacity. Giambona et al. (2014) showed that the smallest firm's assets, land and buildings, had the highest power effect on debt levels.

f) Liquid Assets

The function of current assets and current liabilities and their composition is referred to as liquidity. The level of liquidity of a company depends on the amount of cash the company has. Cash, marketable securities, receivables and inventories are part of current liquid assets (Chambers & Lacey, 2011). Sutrisno (2012) states that liquidity is a ratio that shows the company's ability to meet obligations immediately. Obligations that must be met immediately are short-term debt. Obligations that must be met immediately are short-term debt. A company that can fulfill its financial obligations in a timely manner indicates that the company is in a liquid state. The level of company liquidity according to Syamsuddin (2009) can influence investors in making decisions to invest their capital, investors will prefer to invest in liquid companies. Companies that are able to meet short-term debt well are called liquid companies.

g) Tobin's Q

Tobin's Q is used to analyze financial performance. Ferial et al (2016) say that Tobin's Q is a ratio that evaluates companies. Tobin's Q can also describe the effectiveness and efficiency of a company in utilizing its resources in the form of assets. Peters & Taylor (2017) say that Tobins Q is the ratio of the market value of capital to replacement costs and measures the investment opportunities of the company as a whole. According to (Naqsyabandi, 2015) Tobin's Q is the ratio of company value to asset value. If the results obtained are higher than before, the company can be said to be better at managing its assets so that it can increase profits.

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Tobin's Q in measuring company value is considered the most appropriate ratio to measure company value because it includes company liabilities, equity capital and even all company assets. A high Tobin's Q value indicates good growth for the company. This is because the market value of the company's assets exceeds the book value of the company's assets, making it more profitable for investors to issue assets to own the company (Pernamasari, 2010).

h) Change in Investment Policy

Investment policy is a financial decision regarding an asset that must be purchased by the firm. These assets are in the form of real assets. Real assets can be tangible assets or intangible assets. Rashid & Saeed (2017) argue that investment policy is an important part of a firm's finances and the value of the firm is determined by investment policy. Investment decisions are divided into long-term and short-term investment decisions. The firm invests in fixed assets in the hope that the firm will get its funds back. Long-term investment or investment with a payback period of more than one year is often referred to as capital investment or capital budgeting. Capital budgeting has a role for companies because:

- The funds to be issued will be bound in the long term
- Investing in fixed assets involves forecasting future sales results
- The costs for these investments are usually large
- Errors in making investment decisions have a high risk

B. Conceptual Framework

The effect of leverage, firm size, intangible assets, tangible assets, liquid assets, Tobin's Q, change in investment policy as an element of measuring financial distress on the financial condition of a company is a concern for investors who want or continue to invest in a company. Investors need to pay attention to the firm's financial condition whether the company is experiencing financial failure or default. Companies that experience financial distress for a long time can cause the company to go bankrupt, this can also affect the returns expected by investors. Such as Farooq et al., (2021) who conducted a study in which the sample used was 508 non-financial companies in Pakistan for 9 years (2010-2018). In this study, it is stated that leverage, firm size, intangible assets, tangible assets, liquid assets, Tobin's Q, change in investment policy had a good or even opposite effect on the financial failure of a company. Companies that have bigger and better investment opportunities are in a safer position to protect themselves from financial failure, while high leverage is more vulnerable to circumstances.

Large companies and have good investment policies may be able to survive in financial distress, however, investors must also pay attention to other factors. Companies can take advantage of their tangible assets when needed to save the company from financial distress, but not all companies are able to do so. On the other hand, the availability of liquid assets is also not always relevant to protect companies from financial failure. The conceptual framework can be described as:

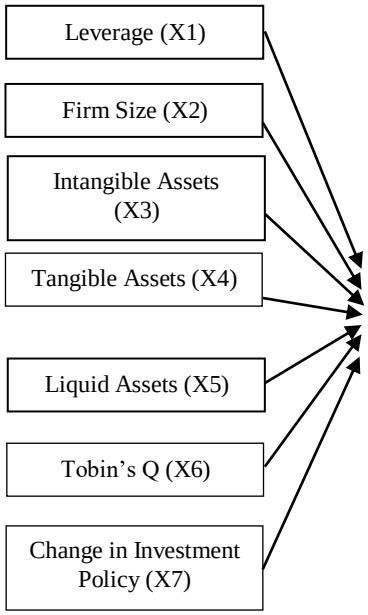

Fig. 1: Conceptual Framework

C. Hypothesis Development

The study reveals that leverage is one of the elements of measuring indirect financial distress cost. Large companies are expected to be able to fulfill their obligations so that there is minimal risk of experiencing financial distress. Levarage measuring the ability of a company to pay debts long term and short term. Companies with low leverage tend to protect the interests of bondholders which can reduce debt financing in the future (Adu-Ameyaw et al., 2021). Distress in the economy is experienced by companies with high leverage. Based on this, the first hypothesis can be formulated as follows:

H_1: There is an effect of Leverage on Indirect Financial Distress Cost

In general, a large company size will generate large profits. In addition, the company is also expected to survive if it experiences financial distress. Large companies are considered capable of increasing investment opportunities that result in a greater level of profit. The company's financial performance will be lower when the company is experiencing financial distress. The study conducted by Beaver et al. (2011) stated that firm size is one of the main elements of companies experiencing financial distress (Dunham & Garcia, 2021). However, when a company with a large size experiences financial difficulties, it will incur more costs in dealing with problems as long as the company is experiencing financial distress. Based on this, the second hypothesis can be formulated as follows:

H_2: There is an effect of Firm Size on Indirect Financial Distress Cost

One of the important economic resources in improving the company's financial performance is intangible assets. However, companies with high intangible assets can face more financial problems. According to Denis & McKeon (2018), they find that companies have low profitability if the have intangible assets because the company indirectly has to

charge all assets to reduce the rate of depreciation from time to time (Hartsema et al., 2021). The higher company's intangible assets, the greater the losses obtained by the company. Based on this, the third hypothesis can be formulated as follows:

H_3: There is an effect of Intangible Assets on Indirect Financial Distress Cost

Tangible assets are assets that owned by the company that are permanent and can be used for the long term in the company's operational activities. More tangible assets the company has will obtain more external financing because these assets can reduce contractility problems (Osinubi, 2020). Fewer tangible assets the company has, they will face fewer financial problems than those with intangible assets (Mun & Jang, 2019). The higher the tangible assets, the lower the possibility of the company going bankrupt. Based on this, the fourth hypothesis can be formulated as follows:

H_4: There is an effect of Tangible Assets on Indirect Financial Distress Cost

Liquidity ratios measuring company's ability to pay short term obligations that are due and unexpected cash needs. Stakeholders prefer companies that have a larger liquidity ratio because it shows that the company is able to pay its short term obligations. Studies conducted suggest that the higher the liquidity assets, the easier it is to overcome financial distress (Tripathy & Uzma, 2020). Based on this, the fifth hypothesis can be formulated as follows:

H_5: There is an effect of Liquid Assets on Indirect Financial Distress Cost

Generally, Tobin's Q measures company's performance because it combines company value with accounting value. Companies with high Tobin's Q value are more likely to acquired because high Tobin's Q implies that the market value of the company is better than its replacement value (Irfan et al., 2018), this can indicate that the company is not in financial distress. Based on this, the sixth hypothesis can be formulated as follows:

H_6: There is an effect of Tobin's Q on Indirect Financial Distress Cost

Changes in investment policy in a company are one of the things that affect the occurrence of financial distress. These policy changes can cause investors to feel that they do not have the opportunity to profit according to the risk they take. Changes in investment policy can also cause conflicts between shareholders as well as creditors and company owners which can cause creditors to not get their return because the firm is experiencing financial failure (Mariano & Tribó Giné, 2015). Companies made changes to their investment policies during the time of failure, carried out to overcome these financial problems (M. Farooq et al., 2021). Based on this, the seventh hypothesis can be formulated as follows:

H_7: There is an effect of Change in Investment Policy on Indirect Financial Distress Cost

III. RESEARCH METHOD

A. Variables and Variable Measurement

The variables and measurements used in this study aim to determine the relationship between the independent variable and the dependent variable where each measurement is as follows:

Indirect Financial Distress Costs (Y)

Variables	Measurement	Reference
Indirect Financial Distress Cost	$GRS_{sector} - GRS_{firm}$ Description: The diference between sector sales growth and company sales growth	Farooq et al., 2021
Leverage	total liabilities/total assets	Doğan, (2013)
Firm Size	Log of total assets	Doğan, (2013)
Intangible Assets	(total market value/booked value of assets)*100	Farooq et al., 2021
Tangible Assets	(net fixed assets/total assets)*100	Farooq et al., 2021
Liquid Assets	Liquid assets/total assets	Thoa et al., 2020
Tobin's Q	(market value of equity+debt)/total assets	Dzahabiyya et al., 2020
Change in Investment Policy	(net retained cash/fixed assets+intangible assets+current assets)*100	Farooq et al., 2021

Table 1: Variables and Variable Measurement

B. Sampling Method

The data collection method that will be used in this study is a secondary data collection method. The sources of data in this study were obtained from the Indonesia Stock Exchange website and the websites of each sampled company.

Description	Number of Companies
Manufacturing companies listed on the IDX (Indonesian Stock Exchange) for the period 2015-2020	196
Manufacturing companies that do not have intangible assets	(141)
Companies that do not meet the criteria	(38)
Number of companies used as research objects	17

Table 2: Sampling Method

C. Research Regression Model

The research method in accordance with the title of this research can be described systematically as follows:

CFD = 2.880593 – 0.216297LEV – 0.228891SIZE – 0.036744TQ + 0.000498INTANG + 0.002251TANG – 0.016439LA – 0.002748INV

Where:
CFD = Indirect Financial Distress Cost
LEV = Leverage
SIZE = Firm Size
TQ = Tobin's Q
INTANG = Intangible Assets
TANG = Tangible Assets
LA = Liquid Assets
INV = Change in Investment Policy

The results of the regression model testing stages in this study, namely:

Based on the Chow test and Hausman test, the results show that the chi-square cross-section's probability is 0.0000 < 0.05 so it means that the correct model to be used in this study is the fixed effect. Since the model chosen is a fixed effect model, further testing is needed using the Hausman test to test whether to use a random effect or fixed effect model. Then, further results show that the cross-section statistic's probability is 0.0000 < 0.05, so fixed effect is the decision obtained.

Test Summary	Probability
Cross-section F	0.0000
Cross-section chi-square	0.0000
Cross-section fixed	0.0000

Table 3: Research Regression Model

Source: Data processed using E-views

The results showed that the probability value of the F-statistic was 0.000000 <0.05 so that H0 was rejected. Thus the results of the analysis in this study indicate that together the independent variables namely Leverage, Firm Size, Tobin's Q, Intangible Assets, Tangible Assets, Liquid Assets and Changes in Investment Policy have an influence on Indirect Financial Distress Cost so that the regression model is feasible to use in this research.

The results also show that the adjusted R^2 value is 0.483290. This states that the independent variables, namely Leverage, Firm Size, Tobin's Q, Intangible Assets, Tangible Assets, Liquid Assets and Changes in Investment Policy are able to explain the variation of the Indirect Financial Distress Cost of 48.3290% and the remaining 51.6710% explains that the Indirect Financial Distress Cost can be influenced by other factors not included in this model. Therefore, there is a weak relationship between Leverage, Firm Size, Tobin's Q, Intangible Assets, Tangible Assets, Liquid Assets and Changes in Investment Policy on Indirect Financial Distress Cost.

D. Data Analysis Method

a) Descriptive Statisctical Analysis

Descriptive statistical analysis aims to provide explanations and descriptions, including data presentation with the aim of summarizing the data so that they can be easily understood. This analysis was conducted to calculate the average variation (mean) and standard deviation of each dependent variable, namely indirect financial distress cost as the dependent variable as well as leverage, firm size, intangible assets, tangible assets, liquid assets, Tobin's Q, and change in investment policy as an independent variable.

b) T-test (Individual)

This t-test was conducted to measure whether the independent variable had a significant effect on the dependent variable. The hypotheses used in this test are:
H_0: The independent variable has no effect on the dependent variable.
H_a: The independent variable has an influence on the dependent variable.
With the decision making criteria of T-test:
a. If sig. probability t < 0.05, H_0 is rejected
b. If sig. probability t > 0.05, H_0 is accepted

IV. RESULTS AND DISCUSSION

A. Descriptive Statistical Analysis

Based on Descriptive Analysis Test, there are interpretations which are explained as follows:

Indirect Financial Distress Cost (IFDC) has -0.000525 as mean and 0.126340 as standard deviation. The maximum value of IFDC is 0.352100 which is owned by PT Indal Aluminum Industry Tbk in 2017 and the minimum value is -0.494300 which is owned by PT. Indal Aluminum Industry Tbk in 2015.

Leverage (LEV) has 0.444761 as mean and 0.200102 as standard deviation. The maximum value of LEV is 0.819700 which is owned by PT Indal Aluminum Industry Tbk in 2015 and the minimum value is 0.073100 which is owned by PT Semen Baturaja (Persero) Tbk in 2015.

Firm Size (SIZE) has 12.68687 as average and 0.60884 as standard deviation. The maximum value of the LEV of 13.90200 is owned by PT Semen Indonesia (Persero) Tbk in 2019 and the minimum value of 11,58430 which is owned by PT Champion Pacific Indonesia Tbk in 2015.

Tobins'Q (TQ) has 1.567208 as mean and 1.298072 as standard deviation. The maximum value of TQ is 8,778900 which is owned by PT Semen Indonesia (Persero) Tbk in 2016 and the minimum value is 0.518300 which is owned by PT Tunas Alfin Tbk in 2019.

Intangible Assets (INTANG) has 125.3924 as mean and 137.0034 as standard deviation. The maximum value of INTANG is 839,7036 which is owned by PT Semen Baturaja (Persero) Tbk in 2016 and the minimum value is 9,290400 which is owned by PT Steel Pipe Industry of Indonesia Tbk in 2018.

Tangible Assets (TANG) has 49.85526 as mean and 19.71886 as standard deviation. The maximum value of TANG is 106,4677 which is owned by PT Semen Baturaja (Persero) Tbk in 2016 and the minimum value is 16,06290

which is owned by PT Champion Pacific Indonesia Tbk in 2016.

Liquid Assets (LA) has 0.483394 as mean and 0.425920 as standard deviation. The maximum value of LA is 4.342800 which is owned by PT Charoen Pokphand Indonesia Tbk in 2020 and the minimum value is 0.123500 which is owned by PT Solusi Bangun Indonesia Tbk in 2016.

Change in Investment Policy (CINV) has 24,25955 as mean and 16,61721 as standard deviation. The maximum value of CINV is 62.43480 owned by PT Charoen Pokphand Indonesia Tbk in 2019 and the minimum value is 0.660000 which is owned by PT Fajar Surya Wisesa Tbk in 2015.

	Mean	Max	Min	Std. Dev
IFDC	-0.000525	0.352100	-0.494300	0.126340
LEV	0.444761	0.819700	0.073100	0.200102
SIZE (Rp)	12.68687	13.90200	11.58430	0.600884
TQ	1.567208	8.778900	0.518300	1.298072
INTANG	125.3924	839.7036	9.290400	137.0034
TANG	49.85526	106.4677	16.06290	19.71886
LA	0.483394	4.342800	0.123500	0.425920
CINV	24.25955	62.43480	0.660000	16.61721

Table 4: Descriptive Statistical Analysis

Source: Data Processed using E-views

B. Hypothesis Test (T-test)

There are interpretations for T-test results which are explained as follows:

H_1: There is an effect of Leverage on Indirect Financial Distress Cost

The results of statistical tests show that Leverage (LEV) has a T-statistic probability value of 0.0096 <0.05 (alpha 5%). The results of this study conclude that there is a negative and significant effect (coefficient -0.216297) between Leverage on Indirect Financial Distress Cost. This is not in line with the research conducted by Farooq et al., 2021 which states that leverage has a significant positive relationship with Indirect Financial Distress Cost. The inconsistent results are caused by the leverage value of each company in the basic and chemical industry sectors which tend to be stable every year. High leverage will cause distress in the company's economy. High leverage with low financial distress is caused by companies that rely on their fixed assets which can be guaranteed so that it has a negative impact.

H_2: There is an effect of Firm Size on Indirect Financial Distress Cost

Statistical test results show Firm Size (SIZE) has a T-statistic probability value of 0.20 > 0.05 (alpha 5%). The results of this study conclude that there is no influence between Firm Size on Indirect Financial Distress Cost. This is in line with research conducted by Farooq et al., 2021 which states that firm size is found to have no effect on financial distress costs. When the company has high total assets, the burden that arises is also greater. This is different from the basic and chemical industry sector companies in Indonesia which are still in the category of large companies but the assets owned by the companies tend to be good during the study period.

H_3: There is an effect of Intangible Assets on Indirect Financial Distress Cost

Statistical test results show Intangible Asset (INTANG) has a T-statistic probability value of 0.4401 > 0.05 (alpha 5%). The results of this study conclude that there is no influence between Intangible Assets on Indirect Financial Distress Cost. This is not in line with the research conducted by Farooq et al., 2021 on the results of the analysis showing that there is a significant positive influence between intangible assets and Indirect Financial Distress Cost. This discrepancy is caused by the number of intangible assets in basic and chemical industrial sector companies that are not high so that it can be a benefit for the company because if the company has a high number of intangible assets it can make the company have a bad image so that the company can experience financial distress. in the future. Intangible assets owned by the company have no effect on the level of sales growth. Intangible assets do not have a physical form so that high intangible assets will have uncertainty in the future.

H_4: There is an effect of Tangible Assets on Indirect Financial Distress Cost

Statistical test results show Tangible Asset (TANG) has a T-statistic probability value of 0.3177 > 0.05 (alpha 5%). The results of this study conclude that there is no influence between Tangible Assets on Indirect Financial Distress Cost. This is not in line with the research conducted by Farooq et al., 2021 which states that tangible assets show a significant positive relationship with Indirect Financial Distress Cost. The high value of company assets in the basic and chemical industry sectors in Indonesia is still stable and tends to increase so that the value of tangible assets is low. The higher the tangible assets, the lower the possibility of the company going bankrupt.

H_5: There is an effect of Liquid Assets on Indirect Financial Distress Cost

The results of statistical testing show that Liquid Assets (LA) has a T-statistic probability value of 0.0000 <0.05 (alpha 5%). The results of this study conclude that there is a negative and significant effect (coefficient -0.016439) between Liquid Assets and Indirect Financial Distress Cost. This is in line with research conducted by Farooq et al., 2021 which states that liquidity shows a negative and significant effect on financial distress costs. This effect shows an inverse relationship by revealing that a decrease in the level of the company's liquidity position will increase financial distress, because the company is not in a position to commit when it matures. Companies with short liquidity levels cannot meet their short-term, medium-term and long-term obligations so that failure to fulfill these commitments increases financial distress.

H_6: There is an effect of Tobin's Q on Indirect Financial Distress Cost

Statistical test results show Tobin's Q (TQ) has a T-statistic probability value of 0.5638 > 0.05 (alpha 5%). The results of this study conclude that there is no influence

between Tobin's Q on Indirect Financial Distress Cost. This is not in line with the research conducted by Farooq et al., 2021 which states that Tobin's Q has a significant direct relationship with Indirect Financial Distress Cost. The higher the market value of the company, the better the company will be able to deal with adverse conditions, therefore, the lower the distress cost.

H_7: There is an effect of Change in Investment Policy on Indirect Financial Distress Cost

Statistical test results show Change in Investment Policy (CINV) has a T-statistic probability value of 0.3526 > 0.05 (alpha 5%). The results of this study conclude that there is no influence between Change in Investment Policy on Indirect Financial Distress Cost. This is not in line with the research conducted by Farooq et al., 2021 which states that change in investment policy shows a significant positive relationship with Indirect Financial Distress Cost. Changes in investment policy can cause investors to feel that they do not have the opportunity to earn profits in accordance with the risks to be borne. It is also based on financial decisions that are influenced by intangible assets and tangible assets for long-term and short-term investment changes.

Independent Variable	Dependent Variable		
	IFDC		
	Coefficient	Probability	Conclusion
Constant	2.880593	-	-
LEV	-0.216297	0.0096	Significant Negative
SIZE	-0.228891	0.2020	Not significant
TQ	-0.036744	0.5638	Not significant
INTANG	0.000498	0.4401	Not significant
TANG	0.002251	0.3177	Not significant
LA	-0.016439	0.0000	Significant Negative
CINV	0.000404	0.3526	Not significant

Table 5: Hypothesis Test (T-test)

Source: Data processed using E-views

V. CONCLUSION AND SUGGESTION

This study aims to analyze the effect of leverage, firm size, Tobins' Q, intangible assets, tangible assets, liquid assets, and change in investment policy on indirect financial distress costs in basic and chemical industry companies listed on the Indonesia Stock Exchange in 2015 -2020. Based on the results of the study, it can be concluded that leverage and liquid assets have a significant negative effect on indirect financial distress costs. However, the results also show that firm size, Tobins' Q, intangible assets, tangible assets, and change in investment policy do not show a significant effect on indirect financial distress costs.

Based on the results of this study, there are benefits that can be taken by financial managers as implications for consideration in making decisions and policies at the company as well as considerations for further researchers. Here are some of these implications:

- For Companies

  The research findings suggest several implications. Management in making decisions need to pay attention to the determinants of indirect financial distress costs, namely leverage and liquid assets. The more companies use leverage in their company operations, the higher the likelihood that the company will be affected by financial difficulties. The decrease in the level of the company's liquid assets increases the possibility of the company experiencing financial difficulties so that companies must pay attention to liquid assets. Second, the results can provide an early signal as a sign to managers to save the company from financial distress. Companies that experience financial distress are considered unable to meet future payments so that they can reduce the value of the company which then has the potential to experience bankruptcy. When a decrease in the level of the company's liquidity position will increase financial distress, the company is not in a position to commit when it matures. Third, can guide company managers to design financial policies to maintain adequate levels of leverage, liquidity and profitability to ensure smooth business operations and company viability.

- For Investors

  Investors can calculate indirect financial distress costs before making investment decisions in the company. This will help investors to make more rational investment decisions in the future. When an increase in the level of the company's liquidity position will reduce financial distress, the company is in a position to commit when it matures. Low leverage will have a tendency not to cause financial distress at that time investors can invest in companies in these conditions. Leverage can be referred to as a financial indicator that measures the funds obtained by the company through debt. The use of excess debt is not a good thing because it can reduce the profits earned by the company. In other words, an increasing leverage value indicates a greater investment risk, while a low leverage value indicates a smaller investment risk.

Based on the results of the research, this study has several limitations which are: this study only examines companies in the basic and chemical industrial sector in Indonesia, the number of companies is limited and too few so that they are lacking in getting information. Future research is expected to add other research variables and add companies in other sectors so that the data used can interpret indirect financial distress costs as a whole. Examples of independent variables that can be used include firm age and stock return (Widarwati & Sartika, 2019) and expected earnings growth (Bulot et al., 2014).

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