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Financial Review and Financial Distress on Covid 19 Pandemic: A Comparison of Two South East Asia Countries in the Real Estate and Property Sub Sectors

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Abstract:- Financial distress is a complex problem and continues to exist because all companies in the world have the same potential to experience this condition, so many factors are needed to determine the status of financial distress as an early warning system in volatile economic conditions. This study aims to analyze the effect of leverage, operating cash flow, operating capacity, and agency managerial costs on financial distress and compare it between Indonesia and Malaysia. This research was conducted on real estate and property industry classification companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange for the 2018-2020 period. Sampling was done by the purposive sampling method and yielded 135 data samples. Multiple regression methods, the classical assumption test, and the paired t test were used to test the data. The results of this study indicate that leverage, operating cash flow, and operating capacity have an effect on financial distress conditions in Indonesia and Malaysia, while agency managerial costs have no effect on financial distress conditions. Then, based on the results of the different paired t tests, it shows that there are differences in financial distress conditions in Indonesia before and after the COVID-19 pandemic. On the other hand, there is no difference between the financial distress conditions before and after the pandemic in Malaysia.

Keywords:- *Financial Distress; Leverage; Operating Capacity; Operating Cash Flow; Agency Cost Managerial; Pandemic Covid 19.*

I. INTRODUCTION

A. Research Background

On March 11, 2020, the World Health Organization (WHO) designated the COVID-19 (Corona Virus Disease) outbreak a global pandemic. Since that time, life has gradually began to change. The ten ASEAN member states have confirmed the emergence of several instances, and there is little question that the coronavirus will have a detrimental impact on the economies of Southeast Asia and the rest of the world by early 2020. Affected sectors include travel and tourism, retail, and other human services industries. In addition, the supply chain is interrupted, the job and health sectors are threatened, and the community's economic status is deteriorating. Additionally, the COVID-19 epidemic has lowered expectations for a broad global economic rebound, which slowed last year. (Rustikno, 2020).

The unpredictable global economic environment seems to necessitate that business organizations continue to rack their brains in order for their companies to adapt to the times. Investors and management must understand that environmental health issues can sometimes impair the operations of businesses, in addition to economic and political turbulence. Call it the Corona Virus (Covid-19) pandemic, which causes not only a health catastrophe but also a financial problem for businesspeople. The Indonesia Stock Exchange (IDX) reported that due to the Corona Virus Pandemic or COVID-19, the performance of the Composite Stock Price Index (IHSG) decreased by 21.54 percent, resulting in a 21.30 percent decline in market capitalization to Rp. 5,717 trillion. This does not rule out the prospect of a political economics and health crisis in the future, which could disturb the company's state, particularly its financial condition. BPS predicts that Indonesia's GDP will increase by approximately 2% in 2020, down from a previous estimate of approximately 5%. (2020). The Indonesian economy has been severely damaged by the efforts implemented to contain COVID-19. In 2020, the IMF's (International Monetary Fund) worst-case scenario expects even steeper reductions of minus 3.5 percent. In 2020, the global economy is anticipated to decline by 3 to 4 percent. This circumstance is known as the "curve double" since both the confirmed and recession curves are rising. Both curves must be decreased and flattened to reduce confirmed cases and to stabilize the economy by achieving a proper balance between public health and economic growth. (Abdullah, 2020).

Financial distress is a broad concept that encompasses a variety of situations in which a company faces financial difficulties. This condition is commonly referred to as bankruptcy, failure, economic incapacity, and corporate default. Several factors, including debt repayment failure, inflation, law violations, high interest rates, and other global conditions, can all have an impact on the company's performance. Of course, every established company wishes to continue to grow, advance, and broaden its business. Companies should maintain a stable financial position to avoid financial difficulties, which are described as being experienced by several companies that eventually went bankrupt.

When a company is unable to meet payment deadlines or when cash flow projections indicate that the company will soon be unable to meet its obligations, financial distress occurs. Financial distress is essentially a condition in which a company has difficulty meeting its obligations, i.e., a situation in which the company's income does not cover the total costs and suffers losses to creditors. This is a warning sign of impending

economic failure. Setyowati (2019) Financial statements, according to Hanafi and Halim (2016: 49), are an important source of information for detecting early signs of financial distress. Financial statements play an important role in a company's survival because they allow us to determine whether the company is healthy or is going through a difficult period.

Financial distress can occur in any company, large or small. This type of company, for example, is a company that has the characteristics of having a large inventory value, increasing location and selling value, and a long receivable life, but debts owned by the company to finance projects in order to acquire inventories must be paid immediately. Based on these characteristics, it is critical to understand what factors can influence the financial distress problem in property and real estate companies. (Suryani, 2020). Financial distress can be caused by a variety of internal and external factors. Leverage, liquidity, profitability, company size, and other internal factors Meanwhile, external factors such as natural disasters and interest rate changes may occur.

Another background underlying this research is the potential for financial distress that all business entities must be aware of, particularly real estate and property sector companies with a relatively large inventory value, location and selling value that continues to increase, and a long receivables life. Debt held by the company to finance the project in order to acquire inventories, on the other hand, must be paid immediately. This study will compare the state of financial distress in Indonesia and Malaysia, as well as how financial distress conditions were prior to and after the COVID-19 pandemic. The research gaps in this study are agency managerial costs, which are still rarely examined, as well as a comparative analysis of the impact in the two countries before and after the COVID-19 pandemic. This is expected to be a factor for investors and potential investors in determining which state company is best suited for their investment portfolio.

II. LITERATURE REVIEW

A. Stakeholder Theory

According to the explanation provided by the stakeholder theory, an organization cannot function solely with the goal of preserving its existence forever; rather, it must also pay attention to the benefits that can be provided to the organization's stakeholders, who include creditors, people who hold shares, suppliers, consumers, the government, and society (Friedman & Miles, 2002). In order for businesses to function in a manner that is both adaptable and efficient, the theory of stakeholders focuses on providing assistance to management in better comprehending the position of stakeholders and the environment in which they operate. When making decisions on activities and regulations, as well as about the company itself, management has a responsibility to take into account the requirements and concerns of all involved parties. Jones and Wicks (1999) describe one of the fundamental assumptions behind stakeholder theory, which is that it is founded on business decision-making.

There are three categories of stakeholders, which are as follows: the major stakeholders, also known as the decision-makers and principal determinants of a company's actions; the secondary stakeholders, also known as the shareholders; and the other stakeholders. Second, assisting (secondary) stakeholders, which refers to parties that are not directly involved in the decision-making process of the organization. Third, important stakeholders are stakeholders or parties who are entitled to make decisions legally and legally grouped by management level, which is the executive element of the organization. Key stakeholders are legally classified by management level.

B. Financial Distress

Financial distress is a condition in which a company's finances are in a bad state or are in a crisis. Financial distress, which is highly disruptive to the company's operational activities, is a condition that must be monitored and anticipated immediately. Financial distress, according to Platt in Wibowo and Susetyo (2020), is the stage of declining financial conditions preceding bankruptcy or liquidation. If this is not resolved immediately, it will have a significant impact on businesses, such as a loss of trust from stakeholders, and the company may even go bankrupt.

According to Hantono (2019), there are five types of financial distress, which are as follows:
1) Economic failure occurs when the income from the company's operations is insufficient to cover the total costs of the company, such as the cost of capital.
2) A company condition that can disrupt and stop operational activities with the goal of reducing losses for third parties is known as business failure.
3) Technical insolvency occurs when a company is unable to meet its maturing obligations.
4) Insolvency bankruptcy occurs when the book value of the company's total liabilities exceeds the market value of its assets.
5) Legal bankruptcy is a state in which a company is said to be legally bankrupt.

In this study, the Zmijewski Model was employed to quantify financial distress. For the prediction model that will be evaluated, Zmijewski's (1984) model uses ratio analysis to measure the performance, debt, and liquidity of a corporation. Zmijewski applied probit analysis to 40 enterprises that had declared bankruptcy and to over 800 companies that were still in business at the time. In the investigations of Fadrul and Ridawati (2020), Kholis and Kurniawati (2016), Fauzan and Sutiono (2017), and Hantono (2019), this model has an accuracy close to one hundred percent for predicting the occurrence of financial distress.

C. Leverage

Leverage describes the amount to which a company finances its operational activities through debt. Extreme leverage can be detrimental to the firm because it indicates that the company is in a lot of debt and it is tough to get out of it (Irham, 2015: 127). According to Kasmir (2017: 151), the leverage ratio, also known as the solvency ratio, measures the amount to which a company's assets are funded by debt. This

indicates how much debt a corporation has relative to its assets. In a broad sense, the leverage ratio is used to quantify a firm's ability to fulfill all of its commitments, both short- and long-term, in the event that the company is dissolved (liquidated).

D. Operating Capacity

Operating capacity is a ratio that compares the amount of sales generated by a company to the total assets used. This demonstrates the company's ability to effectively use its total assets to increase sales. The better the company manages its assets, the less likely it is to run into financial difficulties (Radiansyah, 2013:9).

The higher the level of operating capacity, the less likely the company will face financial difficulties. This can serve as a signal to investors and creditors to make investments and extend credit to the company because the company is regarded as good at managing its finances. TATO is used as a proxy for operating capacity (total asset turnover).

E. Operating Cash Flow

The cash generated by a company as a result of its normal business operations is referred to as operating cash flow. This cash flow is used to pay bills and to assess the profitability of the company. If a company's report shows a profit but negative cash flow (Amanda and Muslih, 2020), the results of this study, according to Frans (2017), are consistent with the theory that states that the high and low cash flow of a company's operations can cause financial distress in a company. (Putri, 2021).

F. Agency Managerial Cost

Managerial agency costs are expenses made by owners to regulate and oversee the performance of managers so that they operate for the company's benefit (Fadhilah, 2013). Jensen (1976) discovered that there are three categories of maintenance expenses, namely monitoring expenses, bonding expenses, and residual losses. Due to the separation of control and ownership, managerial agency costs are incurred. Poor organizational governance can lead to an increase in managerial agency costs and an inefficient corporate economy. Managers who work as agents utilize the company's abundant resources in novel ways to achieve their objectives. Managers' inefficient use of resources does not ensure good performance and tends to result in moral hazard. In addition, the inefficiency of excessive use of resources without an increase in performance might upset the company's stability, which will result in a decline in profitability. (Pawitri, 2020).

G. Research Framework

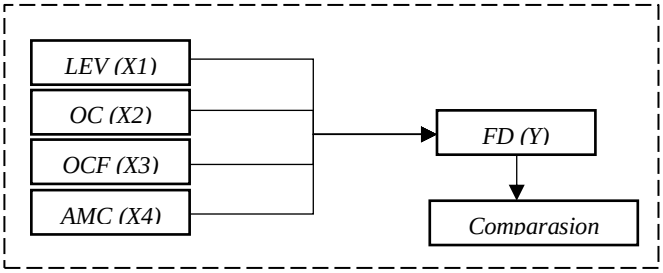

Fig. 1. Research Framework

H. Hypothesis

Based on the preceding framework, the initial hypothesis is as follows:

1. The effect of leverage on financial distress

Leverage is a ratio used to measure a company's ability to pay its obligations. Leverage happens when an activity utilizes funds in the form of debt that were originally provided by creditors. (Widhiari & Merkusiwati, 2015). Leverage ratios that are excessively high and debt levels that are already excessive. This big debt will be a burden on the organization if it is not swiftly managed and repaid. Numerous corporations are put into liquidation because their debt exceeds their assets, causing them to default. It can be claimed that the likelihood of a corporation experiencing financial issues increases as its debt and leverage ratio increase.

H1: Leverage has an effect on Financial Distress

2. The effect of operating capacity on financial distress

Operating capacity is a ratio that measures how efficiently a company's resources or assets are used to create sales. Total asset turnover is used in this ratio. Total asset turnover, or TATO, is defined by Brigham and Houston (2016) as the extent to which a corporation may generate net sales from its assets. The high effectiveness with a high TATO value also suggests that the same number of assets can enhance sales volume, reducing the likelihood of financial trouble, and vice versa (Widhiari and Merkusiwati, 2015).

H2: Operating Capacity has an effects Financial Distress

3. The effect of operating cash flow on financial distress

Cash flow from operations is a crucial indication used by stakeholders to evaluate a company's health (Ramadhani, 2019). A corporation with a strong operating cash flow has sufficient sources of funds for business activities such as paying off debt, maintaining the company's operating capacity, and paying dividends (going concern). Numerous parties say that this cash flow is the company's lifeblood because if the operating cash flow is troublesome, it will result in disrupted operating activities, which, if they persist, would increase the likelihood of the company encountering financial distress. (Amarilla et al., 2017).

H3: Operating Cash Flow has an effect on Financial Distress

4. The effect of agency managerial cost on financial distress

Managerial agency costs are expenses made by business owners in order to control and regulate the performance of managers for the benefit of the firm (Fadhilah, 2013). General and administrative expenditures were used to calculate managerial agency costs in this study. Companies with high management agency costs imply that the company's resource wealth is being exploited by managers or agencies. If not handled and controlled appropriately, this condition will also upset the firm's financial situation because high general and administrative costs will limit the amount of profit the company receives. If this occurs on a regular basis, the company's financial stability may deteriorate, as well as the

likelihood of encountering financial distress (Pawitri and Alteza) (2020).

H4: Agency Managerial Cost has an effect on Financial Distress

III. RESEARCH METHODS

A. Population and Sample

This study is an example of quantitative research, which evaluates hypotheses by measurement and analysis of each accumulated variable. The stated research in this study is based on hypothesis testing.

The real estate and property sub-sector companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange for the 2018–2020 timeframe make up the research population. Purposive sampling was employed in this study with a sample of 25 enterprises from Indonesia and 25 from Malaysia.

B. Variable Operational Definitions

A variable's operational definition describes how variables are measured and calculated (Chandrarin, 2017: 88). Following is an explanation of each variable's operational definition:

TABLE 1. VARIABLE OPERATIONAL DEFINITIONS

Variable	Indicator
Financial Distress (Y)	Model Zmijewski: $Z = -4,3 - 4,5X_1 + 5,7X_2 - 0,004X_3$ Keterangan: X_1= Return On Asset (ROA) X_2= Debt Ratio (TLTA) X_3= Current Ratio (CACL)
Leverage (X1)	Total Liabilities/Total Asset
Operating Capacity (X2)	Operating cash flow/ Short Term Liabilities
Operating Cash Flow (X3)	Sales/Total Asset
Agency Managerial Cost (X4)	Administration and general cost/Sales

C. Data Analysis Method

The following data analysis techniques were used in this study: the classical assumption test, paired t tests, and multiple regression analysis. The multiple linear regression equation used in this study is as follows:

$$FD = \alpha + \beta 1LEV + \beta 2OC + \beta 3OCF + \beta 4AMC + e \quad (1)$$

$$\alpha + \beta = \chi. \quad (2)$$

Description:
FD = Financial Distress
α = Konstanta
β1- β5 = Regression coefficient of each independent variable
LEV = Leverage
OC = Operating Capacity
OCF = Operating Cash Flow
AMC = Agency Manajerial Cost
E = error

IV. RESULT AND DISCUSSION

This study uses a sample of companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange, especially in the real estate and property sectors. Sampling used purposive sampling with a final sample of 150, and then there were 15 outliers to overcome abnormal data. The following are the results of the classical assumption test, paired t test, and hypothesis testing:

A. Descriptive Statistics Results

TABLE 2. DESCRIPTIVE STATISTICS RESULTS

	N	Min.	Max.	Mean	Std. Deviasi
FD (Y)	135	-4,41	0,36	-2,3712	1,12207
LEV (X1)	135	0,04	0,76	0,3588	0,17764
OC (X2)	135	0,00	0,62	0,1551	0,10862
OCF (X3)	135	-1,72	1,67	0,1249	0,49277
AMC (X4)	135	-70,17	0,00	-0,9976	6,31230

Based on the results of the descriptive analysis in the table above, the conclusions that can be drawn are as follows:
1) The results of the descriptive analysis of the financial distress variable are known to have an average value of -2.3712, with a minimum value of-4.41, and a maximum value of 0.36, and with a standard deviation of 1.12207,
2) The results of the descriptive analysis of the leverage variable have an average value of 0.3588 with a minimum value of 0.04 and a maximum value of 0.76 with a standard deviation of 0.17764.
3) While the results of the descriptive analysis of the operating capacity variable have an average value of 6.4127 with a minimum value of-0.9060 and a maximum value of 4.2520, while the standard deviation is 1.0609,
4) Based on the descriptive analysis of the operating cash flow variable, the average value is 10.9776 with a minimum value of -9.6150 and a maximum value of 92.6820, while the standard deviation is 14.8665.
5) Then the results of the descriptive analysis of the agency managerial cost variable have an average value of 0.5686 with a minimum value of -0.3440 and a maximum value of 1.8790, while the standard deviation is 0.4181.

B. Classical Assumption Test

1) Autocorrelation Test

TABLE 3. AUROCORRELATION TEST RESULT

R	R Square	Adj. R Square	Durbin-Watson
.966[a]	.933	.931	1.589

The autocorrelation test in this study uses the criteria of Santoso (2012:241) in which a data does not have autocorrelation if the Durbin Watson value is above -2 and below 2 (-2 <dw<2). Based on the table above, the data of this study passed or there was no autocorrelation.

2) F Test

TABLE 4. F TEST RESULT

F	Sig.
454.775	.000[b]

Based on the table above, it can be seen that H0 and H1 are accepted. This can be seen from the calculated F value of 454.775 and a significance of 0.0001, which is smaller than 0.05. Thus, it can be assumed that the multiple regression model is feasible to use and that the independent variables have a simultaneous influence on the dependent variable.

3) Normality Test

The normality test is used to assess the distribution of data in a group of data or variables, whether the distribution of the data is normally distributed or not. This study uses the assumption of the Central Limit Theorem (CLT) in which the data sample of 30 or more will be centered on the population parameter values and will have normal distribution properties.

4) Multicolinearity Test

TABLE 5. MULTICOLINIEARITY TEST RESULTS

Model	Tolerance	VIF
(Constant)		
LEV	.966	1.035
TATO	.899	1.112
CFO	.957	1.045
AMC	.962	1.040

Based on the table above, it can be concluded that all independent variables passed the multicollinearity test as indicated by the VIF value of more than 1 and less than 10.

5) Heteroscedasticity Test

TABLE 6. HETEROSCEDASTICITY TEST RESULTS

Spearman's Rho	Sig. (2-Tailed)
LEV	0,151
TATO	0,453
CFO	0,207
AMC	0,078

Based on the Spearman's Rho test results table above, the four independent variables have a significance value above 0.05, so it can be concluded that there is no heteroscedasticity problem in this regression model.

C. Paired T Test (Comparison Test)

TABLE 7. PAIRED T TEST RESULTS

Model	t	Sig. (2-Tailed)
Indonesia (Before-After Pandemic Covid 19)	0,453	0,005
Malaysia (Before-After Pandemic Covid 19)	-3,086	0,655

A Paired T Test is used to find out whether there are differences between the two samples that are related. Based on the table above, the results of the different tests in this study show that: First, a significance value of 0.005 is obtained, which is smaller than 0.05, which means that companies in Indonesia, especially the real estate and property sectors, have differences in financial distress conditions between before and after the existence of financial distress. This is shown by the fact that before the pandemic, the Zmijewski model resulted in a calculation that no Indonesian company experienced financial distress, but after the pandemic, 4 companies emerged that were declared to be in financial distress. One of the reasons for this was the increasing debt ratio, followed by a decrease in income.

Second, a significance value of 0.655 was obtained, which is greater than 0.05, which means that companies in Malaysia, especially the real estate and property sectors, have no difference in financial distress conditions between before and after the COVID pandemic. It is also shown that the calculation of the Zmijewski model shows no There are Malaysian companies experiencing financial distress even after the pandemic. These results also indicate that companies in Malaysia tend to be able to control their financial condition or may have a fairly effective strategy to deal with the impact of the pandemic.

D. Hypothesis Testing

TABLE 8. HYPOTHESIS TESTING RESULTS

Variable	B	T_{count}	Sig.
Leverage	6,159	42,320	0,000
Operating Capacity	-1,142	-4.625	0,000
Operating Cash Flow	-0,137	-2,600	0,010
Agency Managerial Cost	0,001	0,220	0,826

1) The effect of leverage on financial distress

The results of the regression test can be seen in the table above, the leverage variable with a beta coefficient value of 6.159 and a significance of 0.000. This means that the leverage variable has a positive effect on the financial distress of Indonesian and Malaysian companies. This shows that the higher the leverage ratio of the company, the greater the possibility of financial distress and vice versa.

According to the findings, there is a significant relationship between leverage and a company's financial distress. Data processing results show that several companies have a debt to asset ratio value greater than one. This is due to the fact that the company's debt exceeds its assets. Companies with excessive debt levels will face problems in the future, with the possibility of difficulty repaying the remaining loans

and interest. The greater the debt-to-asset ratio value, the greater the risk faced by the company, and vice versa. Companies in financial distress have a higher debt-to-asset ratio than companies that are not in financial distress, because most companies in financial distress have more debt. This leverage is directly proportional to the possibility of financial distress, with the higher the debt or leverage, the greater the possibility of financial distress. Rahmayanti and Hadromi (2017)

The results of this study are in line with research by Ahmad (2011), Rahmayanti and Hadromi (2017), Pawitri (2020), Amanda and Tasman (2019) and Farooq et al. (2021), which show that leverage has a positive effect on financial distress conditions.

2) The effect of operating capacity on financial distress

The regression test results are shown in the table above. The operating capacity variable has a beta coefficient of -1.142 and a significance value of 0.000, indicating that it has a negative impact on the financial distress of companies in Indonesia and Malaysia. This means that the greater the operating capacity, the less likely financial distress, and vice versa.

According to the findings, there is a significant relationship between a company's operating capacity and its financial distress. A company with a high operating capacity has a faster asset turnover, allowing it to generate profits and optimize the use of all assets in generating sales. The company's ability to use assets to generate sales is demonstrated by a high total asset turnover. This is a positive signal because it is assumed that with the effectiveness of asset utilization or rapid asset turnover, it will be able to generate a large number of sales in order to achieve a high profit potential, implying that the company's financial performance is improving and the possibility of financial distress is decreasing (Lisiantara and Lilik, 2018).

This study's findings are consistent with those of Lisiantara and Lilik (2018), Simanjuntak et al. (2017), and Wibowo and Susetyo (2020), who found that operating capacity has a negative impact on financial distress conditions.

3) The effect of operating cash flow on financial distress

The results of the regression test can be seen in the table above. The operating cash flow variable has a beta coefficient of -0.137 and a significance value of 0.010, which means that the operating cash flow variable has a negative effect on the financial distress conditions of companies in Indonesia and Malaysia. This means that the higher the operating cash flow, the lower the probability of financial distress and vice versa.
According to the findings, there is a significant relationship between operating cash flow and a company's financial distress. Operating cash flow demonstrates how much money is spent on company operations. Operating cash flow indicates that a company has a large source of funds for business maneuvers. Some major decisions necessitate a large sum of money. The company can generate large cash flows, which is critical because no company can survive for long without generating cash from operations. As a result, if the company has a good amount of cash flow, it can carry out its operations without difficulty, and creditors will have faith that the company can carry out its business. If the company's cash flows continue to decline without being addressed, the company may face financial distress. (Putri, 2021).

The results of this study are in line with research by Fatmawati and Wahidahwati (2017), Ulfi et al. (2017), and Putri (2021), which show that operating cash flow has a negative effect on financial distress conditions.

4) The effect of agency managerial cost on financial distress

The results of the regression test can be seen in the table above. The agency managerial cost variable has a beta coefficient of 0.001 and a significance value of 0.826, which means that the agency managerial cost variable has a positive effect on the financial distress condition of companies in Indonesia and Malaysia. This means that the higher the agency's managerial costs, the higher the probability of financial distress and vice versa.

Agency cost (general and administrative expense), defined as the expenditure of resources for personal interests and additional income such as managerial salaries, executive expenses, and other expenses aimed at managing the company, which waste of resources will have an impact on the company's condition being less efficient and increasing the risk of financial distress (Li et al., 2008), which Jensen & Meckling (1976) call perquisite and Brigham & Daves (2007) call perquisite (Jensen & Meckling, 1976). Employees in companies with high managerial agency costs tend to exploit company resources to achieve their goals. This is one of the consequences of poor governance. If this happens on a regular basis, it can lead to resource instability and a decline in the company's financial situation. The projected agency costs, including administrative and general costs, will also have an impact on the company's profit. The higher this cost, the lower the company's profit. If conditions like this occur on a regular basis without control, the company may face financial difficulty or financial distress.

The results of this study are in line with research by Susilowati et al (2019), Fadhillah and Syarifuddin (2013), and Rimawati and Darsono (2017), which show that operating cash flow has a negative effect on financial distress conditions.

V. CONCLUSION

A. Conclusion

This study aims to find empirical evidence about the influence of financial variables on financial distress conditions in Indonesian and Malaysian companies, especially in the real estate and property sectors. Of the four hypotheses tested using multiple regression analysis, it is concluded as follows:

1. Based on the analysis results show that leverage has a positive effect on the company's financial distress with a significance value of 0.000
2. The operating capacity variable has a negative effect on the company's financial distress with a significance value of 0.000

3. The operating cash flow variable has a negative effect on the company's financial distress with a significance value of 0.010
4. The agency managerial cost variable has no significant effect on the company's financial distress with a significance value of 0.826
5. Based on the paired t test, the results show that there are differences in financial distress conditions in Indonesia before and after the COVID pandemic. This indicates the need for a special strategy for companies in Indonesia to respond to the pandemic crisis. Furthermore, for companies in Malaysia, there is no significant difference in financial distress conditions before and after the pandemic. This result indicates that Malaysian companies, especially real estate and property, are able to overcome their financial conditions during the pandemic, which has caused crises in several countries.

B. Suggestion

1. Future research is expected to be able to test new factors, especially external factors such as interest rates, inflation, etc. that have the potential to affect the company's financial distress.
2. Further research can create new analytical concepts for financial distress conditions, such as developing models to predict financial distress, because the world's economic conditions are always fluctuating.
3. Further research is expected to expand the object of research in several sectors and countries because all companies have the same potential to experience financial distress.

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