



The Effect of Audit Committee Size, Capital Structure, and Company Size on Financial Distress

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Abstract : Financial distress is a condition of financial decline that may threaten a company's sustainability. This study aims to examine the relationship of audit committee size, capital structure, and company size with financial distress in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. A quantitative approach was employed using secondary data from company financial statements and annual reports. Purposive sampling resulted in 44 companies and 220 observations. Financial distress was measured using the Zmijewski X-Score, audit committee size by the number of committee members, capital structure by the Debt-to-Equity Ratio (DER), and company size by total assets. Panel data regression was conducted using EViews 12. The results indicate that audit committee size ($p = 0.3533$) and capital structure ($p = 0.9775$) are not significantly associated with financial distress. Company size has a negative and statistically significant coefficient ($\beta = -2.021462$; $p = 0.0047$). The simultaneous test is statistically significant ($F = 3.053872$; $p = 0.029380$). However, the adjusted R^2 of 2.7365% indicates that the model explains only a small proportion of the variation in financial distress. These findings suggest that company size is associated with financial distress, while other factors not included in the model may account for much of its variation.

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Introduction

Financial distress is a condition of financial deterioration that may occur before bankruptcy and threaten a company's operational continuity. It can arise when a company experiences difficulties managing its financial resources and meeting its obligations, potentially affecting shareholders, employees, creditors, and other stakeholders. Therefore, identifying factors associated with financial distress is important for understanding corporate financial conditions and supporting more informed financial management decisions. Corporate governance, financing decisions, and company

characteristics are among the internal aspects that may be associated with a company's financial condition.

The relevance of financial distress can be illustrated by developments in Indonesia's infrastructure sector. One example is PT Tower Bersama Infrastructure Tbk (TBIG), which experienced a 16.6% decline in net profit to IDR 688.7 billion from IDR 826.14 billion and a 0.7% decrease in revenue to IDR 3.2 trillion in the second quarter of 2023, while operating expenses increased. These figures, as reported by Kompas.com on August 2, 2023, indicate pressure on the company's financial performance. However, declining profit and revenue alone do not establish that a company is experiencing financial distress. Instead, this example highlights the importance of examining corporate financial conditions using appropriate financial indicators. Accordingly, infrastructure companies listed on the Indonesia Stock Exchange (IDX) provide a relevant context for investigating factors associated with financial distress.

One factor potentially associated with financial distress is audit committee size. The audit committee serves as part of a company's corporate governance and oversight mechanisms. Its membership may facilitate the exchange of perspectives and the use of members' expertise in monitoring financial reporting and management activities. Nevertheless, the number of committee members does not necessarily reflect the effectiveness of their oversight. Previous studies have reported inconsistent findings regarding the relationship between audit committee size and financial distress. Dewi et al. (2024), Vania (2025), and Febriyanto et al. (2026) reported a significant relationship, whereas Hanny and Marlinah (2023) and Rizqiani and Umaimah (2020) found no significant relationship. These differences indicate that the association between audit committee size and financial distress requires further examination in different research contexts.

Capital structure is another factor that may be associated with financial distress because it reflects the composition of debt and equity used to finance company operations. A greater reliance on debt may increase financial obligations, although its implications depend on the company's capacity to manage those obligations. Previous research has also produced inconsistent findings. Fittri and Masyitah (2024) and Kumala and Horri (2025) reported that capital structure was associated with financial distress, while Darmiasih et al. (2022) identified a positive relationship. In contrast, Irfan et al. (2023) and Hasanah and Zenabia (2025) reported no significant relationship. These inconsistencies suggest that the relationship between capital structure and financial distress may vary across research settings and warrants further empirical investigation.

Company size may also be relevant because it reflects the scale of a company's resources and operations. Companies with larger asset bases may have greater capacity to diversify their activities and access financing, potentially supporting their ability to withstand financial pressure. However, company size alone does not guarantee financial stability. Prior studies have likewise reported different findings. Budiari and Devi (2023) and Baros et al. (2022) found a significant relationship between company size and financial distress, whereas Rochendi and Nuryaman (2022), Stepani and Nugroho (2023), and Muslimin and Bahri (2023) reported no significant relationship. These findings demonstrate the need to reassess the relationship between company size and financial distress within a clearly defined sector and observation period.

Taken together, the inconsistent findings concerning audit committee size, capital structure, and company size constitute the central research gap. Although previous studies have examined these variables, their findings do not provide consistent conclusions regarding their individual relationships with financial distress. Examining the three variables simultaneously may provide a more integrated empirical assessment of corporate governance, financing structure, and company characteristics in relation to financial distress. The infrastructure sector listed on the IDX during 2020–2024 offers a specific empirical setting for this investigation. The contribution of this study is to provide sector- and period-specific evidence on the partial and simultaneous associations of these three variables with financial distress, measured using the Zmijewski X-Score and analyzed through panel data regression. This approach also enables an assessment of whether the three variables jointly provide statistically significant explanatory information within the selected sample.



Based on this research gap, this study aims to examine the relationships of audit committee size, capital structure, and company size with financial distress in infrastructure sector companies listed on the IDX during 2020–2024, both individually and simultaneously. The findings are expected to contribute empirical evidence to the financial distress literature and provide additional information for company management, investors, and creditors when assessing corporate financial conditions. The results should be interpreted in light of the study's scope and the explanatory capacity of the estimated model.

Research Methods

This research employs a quantitative approach. This approach is used because the research utilizes numerical data, emphasizing objective measurement of results and statistical analysis. The data used is secondary data obtained from financial reports and annual reports of companies in the infrastructure subsector for the 2020–2024 period. The data was obtained from the official website of the Indonesia Stock Exchange (IDX) and the official websites of the companies included in the research sample.

The study used secondary data in the form of financial reports and company annual reports as research data sources. Financial distress was measured using the Zmijewski X-Score method, with indicators of Return on Assets or Return on Investment, Debt Ratio, and Current Ratio. Companies with an X-Score value > 0 are predicted to experience financial distress, while companies with an X-Score value < 0 are predicted not to experience financial distress (Kumala & Horri, 2025). Audit committee size is measured based on the number of audit committee members (Rieka Ramadhaniyah, 2022), capital structure is measured using the Debt to Equity Ratio through a comparison of the company's debt and equity (Sanny et al., 2021), while company size describes the size of the company as indicated by total assets and sales (Erwin, 2022).

Data analysis techniques were conducted using descriptive statistics and panel data regression. Descriptive statistics were used to provide an overview of the data through the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness values. Furthermore, panel data regression was used to analyze the relationship between audit committee size, capital structure, and company size and financial distress. Panel data regression models consisted of the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Model selection was carried out using the Chow test, the Hausman test, and the Lagrange Multiplier test.

Classical assumption testing includes tests for normality, heteroscedasticity, multicollinearity, and autocorrelation. Normality testing was performed using the Kolmogorov-Smirnov test, heteroscedasticity was examined through a scatter plot graph, multicollinearity was seen based on tolerance values and the Variance Inflation Factor (VIF), while autocorrelation was tested using Durbin-Watson. Hypothesis testing was carried out using the F test to determine the influence of independent variables simultaneously, the T test to determine the influence of each variable partially, and the coefficient of determination (R^2) to determine the ability of independent variables to explain the dependent variable.

The study population included infrastructure sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Purposive sampling was used, selecting samples based on specific considerations and criteria. The criteria included infrastructure subsector companies listed on the IDX during the 2020–2024 period, companies that had conducted an IPO on the IDX during that period, companies that had published complete annual reports consecutively during 2020–2024, and companies that presented financial reports in rupiah.

Based on these criteria, 44 companies were selected as research samples. With a five-year observation period, the total number of observations in the study was 220 company reports, derived from 44 companies multiplied by five years of observation.

The research procedure began with the collection of financial reports and annual reports of infrastructure sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. Data collection was conducted through a documentation method, utilizing financial reports, annual reports, and other documentation sources related to the research object. The obtained data was then used to measure financial distress, audit committee size, capital structure, and company size, according to predetermined indicators.



After all the data were collected, the data were analyzed using descriptive statistics and panel data regression. The analysis stage continued with the selection of the regression model through the Chow test, the Hausman test, and the Lagrange Multiplier test, then classical assumption testing and hypothesis testing were carried out using the F test, the T test, and the coefficient of determination R^2 . The regression model used to test the effect of audit committee size, capital structure, and company size on financial distress is expressed in the equation $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$, where Y is financial distress, X1 is the size of the audit committee, X2 is the capital structure, and X3 is the size of the company.

Results and Discussion

Descriptive Statistical Test Results

Table 1. Descriptive Statistical Analysis

Date: 04/30/26 Time: 21:49 Sample: 2020 2024				
	X1	X2	X3	Y
Mean	3.240909	1.844318	2885.382	149.6654
Median	3.000000	0.950000	2909.000	-1.355000
Maximum	7.000000	149.8700	3439.000	24479.00
Minimum	2.000000	-34.93000	1798.000	-14892.07
Std. Dev.	0.648961	10.66619	258.6995	2355.823
Skewness	3.135798	11.99498	-0.765462	6.538442
Kurtosis	13.95732	170.9396	4.673460	82.36105
Jarque-Bera	1461.129	263809.5	47.15514	59300.83
Probability	0.000000	0.000000	0.000000	0.000000
Sum	713.0000	405.7500	634784.0	32926.39
Sum Sq. Dev.	92.23182	24915.09	14656672	1.22E+09
Observations	220	220	220	220

Based on Table 1, the total number of data analyzed was 220 observations taken from 44 companies. Several conclusions can be drawn from the descriptive statistical analysis.

1. Audit Committee Size

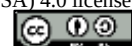
Based on the results of descriptive statistical analysis, the audit committee size variable (X1) has a mean value of 3.240909, which shows that generally corporations in the study sample have around 3 audit committee members. The median value of 3,000,000 indicates that most corporations have 3 audit committee members. The maximum value of 7,000,000 shows that there are companies with the largest number of audit committee members, namely 7 people, while the minimum value of 2,000,000 shows that the number of audit committee members is at least 2 people.

The standard deviation value of 0.648961, which is < compared to the average value, shows that the audit committee size data has a relatively low level of distribution, so that the variation of audit committee members between companies tends to be homogeneous or not very diverse. Then, it can be concluded that the majority of companies in the study have a relatively uniform audit committee size, which is between 2 to 3 members. Top of Form Bottom of Form.

2. Capital Structure

Based on the explanatory numerical comparison, the capital structure variable (X2) has a mean of 1.844318, confirming that collectively, the corporations in the research sample have a capital structure ratio of 1.84. The median of 0.950000 indicates that the largest comparison of organizations has a capital structure figure below the average, which is around 0.95. The disparity between the mean and median figures indicates the existence of extreme facts that affect the average capital structure variable. The maximum value of 149.8700 indicates that there are companies with the highest capital structure level of 149.87, while the minimum value of -3493000 indicates that there are companies with very low or extremely negative capital structure values.

Furthermore, the standard deviation value of 10.66619, which is significantly greater than the average, indicates that the capital structure data exhibits a high degree of dispersion. This indicates that the variation in capital structure across corporations in the study sample is highly diverse and non-



homogeneous. Therefore, it can be concluded that the capital structure variable tends to have an uneven data distribution due to the presence of significant extreme values.

3. Company Size

Based on the results of descriptive statistical analysis, the company size variable (X3) has an average value (mean) of 2885.382, which shows that in general the companies in the research sample have a company size of 2885.382. The median value of 2909,000 indicates that most corporations have a company size around 2909. The closeness between the mean and median values shows that the distribution of company size data tends to be quite symmetrical and there is no too large difference between the data. The maximum value of 3439,000 shows that the company with the largest size in the sample has a value of 3439,000, while the minimum value of 1798,000 shows that the company with the smallest size has a value of 1798,000. This shows that there are differences in corporate size between research samples, but still within a relatively reasonable range.

The standard deviation value of 258.6995, which is smaller than the mean, indicates that the distribution of company size data is relatively low. Therefore, the variation in company size across companies in the study tends to be homogeneous and not very diverse. Overall, it can be concluded that the company size variable has a fairly stable data distribution with a relatively even distribution.

4. Financial Distress

Based on descriptive statistical analysis for the Financial Distress (Y) variable in the infrastructure sector corporations listed on the IDX, the average value (mean) obtained is 149.6654, indicating that the general level of financial distress of companies in the study sample is at 149.6654. However, the median value of -1.355000 indicates that most companies have financial distress values below the average. The considerable inequality between the mean and median values indicates the presence of extreme data (outliers) that affect the average financial distress variable. The maximum value of 24479.00 indicates that there are companies with the highest level of financial distress, while the minimum value of -14892.07 indicates that there are companies with the lowest financial distress values that are also very extreme.

Furthermore, the standard deviation of 2,355.823, which is significantly greater than the average, indicates a very high level of dispersion in the financial distress data. This indicates that the financial distress variable data is heterogeneous and exhibits significant variation across companies.

Panel Data Regression Model Estimation

1. Common Effect Model(CEM)

Table 2. Common Effect Model (CEM) Panel Data Regression Results

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 05/18/26 Time: 22:23				
Sample: 2020 2024				
Periods included: 5				
Cross-sections included: 44				
Total panel (balanced) observations: 220				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5133.932	1761.139	2.915120	0.0039
X1	262.0341	268.3676	0.976400	0.3300
X2	-0.437335	14.76087	-0.029628	0.9764
X3	-2.021462	0.674926	-2.995088	0.0031
R-squared	0.040689	Mean dependent var	149.6654	
Adjusted R-squared	0.027365	S.D. dependent var	2355.823	
S.E. of regression	2323.366	Akaike info criterion	18.35744	
Sum squared resid	1.17E+09	Schwarz criterion	18.41914	
Log likelihood	-2015.318	Hannan-Quinn criter.	18.38235	
F-statistic	3.053872	Durbin-Watson stat	2.857351	
Prob(F-statistic)	0.029380			

Data source: Processed results of Eviews 12

Based on matrix 2, it can be seen that in the common effect model, constant value of 5133.932, the regression value for the audit committee size variable (X1) is 262.0341, the regression value of the capital structure variable (X2) is recorded as -0.437335, and the regression value of the company size variable (X3) reaches -2.021462.



2. Fixed Effect Model(FEM)

This is an uncountable indicator that will be projected through the application of dummy techniques. One procedure for addressing the cross-section component in a panel regression model is to require fluctuating intercept values for each cross-section component while still assuming that the coefficient slope is constant. The results of the Fixed Effects Model regression in this study:

Table 3. Fixed Effect Model (FEM) Panel Data Regression Results

Dependent Variable: Y Method: Panel Least Squares Date: 05/18/26 Time: 22:28 Sample: 2020 2024 Periods included: 5 Cross-sections included: 44 Total panel (balanced) observations: 220				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22296.62	7025.512	3.173664	0.0018
X1	44.73655	436.7908	0.102421	0.9185
X2	3.289476	17.32010	0.189922	0.8496
X3	-7.727922	2.400842	-3.218838	0.0015
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.153638	Mean dependent var	149.6654	
Adjusted R-squared	-0.071406	S.D. dependent var	2355.823	
S.E. of regression	2438.484	Akaike info criterion	18.62308	
Sum squared resid	1.03E+09	Schwarz criterion	19.34808	
Log likelihood	-2001.538	Hannan-Quinn criter.	18.91565	
F-statistic	0.682701	Durbin-Watson stat	3.215956	
Prob(F-statistic)	0.935310			

Data source: Processed results of Eviews 12

Based on matrix 3, it can be seen that in the fixed effect model the number is constant 22296.62, the regression value for the audit committee size variable (X1) is 44.73655, the regression value of the capital structure variable (X2) is recorded as 3.289476, and the regression value of the company size variable (X3) reaches -7.727922.

3. Random Effect Model(BRAKE)

Variations that arise between objects and time that may exist are then integrated into the error in an OLS model, thus making the model efficient. Indicators that show disparities between objects and time are also accommodated in the error. Therefore, this model is often referred to as an error component model. The results of the Random Effects Model regression in this research can be seen in the matrix:

Table 4. Panel Data Regression Results of Random Effect Model (REM)

Dependent Variable: Y Method: Panel EGLS (Cross-section random effects) Date: 05/18/26 Time: 22:32 Sample: 2020 2024 Periods included: 5 Cross-sections included: 44 Total panel (balanced) observations: 220 Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5133.932	1848.400	2.777501	0.0060
X1	262.0341	281.6646	0.930305	0.3533
X2	-0.437335	15.49224	-0.028229	0.9775
X3	-2.021462	0.708367	-2.853694	0.0047
Effects Specification				
		S.D.	Rho	
Cross-section random		0.000000	0.0000	
Idiosyncratic random		2438.484	1.0000	
Weighted Statistics				
R-squared	0.040689	Mean dependent var	149.6654	
Adjusted R-squared	0.027385	S.D. dependent var	2355.823	
S.E. of regression	2323.386	Sum squared resid	1.17E+09	
F-statistic	3.053872	Durbin-Watson stat	2.857351	
Prob(F-statistic)	0.029380			
Unweighted Statistics				
R-squared	0.040689	Mean dependent var	149.6654	
Sum squared resid	1.17E+09	Durbin-Watson stat	2.857351	

Data source: Processed results of Eviews 12

Based on table 4, it can be seen that in the random effect model there is a constant value of 5133.932, the regression value for the audit committee size variable (X1) is 262.0341, the regression value of the capital structure variable (X2) is recorded as -0.437335, and the regression value of the company size variable (X3) reaches -2.021462.

Panel Data Regression Model Estimation

Of the three models analyzed, the next step is to conduct an evaluation to determine the most appropriate regression model for this study. The regression model evaluation conducted in this study is as follows:

1. Chow Test

Table 5. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.536912	(43,173)	0.9910
Cross-section Chi-square	27.558945	43	0.9676

Data source: Processed results of Eviews 12

Based on Table 5, it appears that the probability value (p-value) in the Cross-section Chi-square test is 0.9676, which is higher than the sig value of 0.05 ($0.9676 > 0.05$). Therefore, H1 is rejected and H0 is accepted, which indicates that the common effect model is more appropriate than FEM.

2. Hausman test

Based on the Chow test results, the selected model is the Common Effect Model (CEM). Therefore, verification was not continued through the Hausman test. This is because the Hausman test is only applied to select between the Fixed Effect Model (FEM) and the Random Effect Model (REM). Since the FEM was not selected during the Chow test phase, the Hausman test is irrelevant. Next, a direct comparison is continued through the Lagrange Multiplier (LM) test, which aims to determine the optimal model between the CEM and the REM.

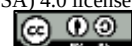
3. Lagrange Multipliers Test

Table 6. Lagrange Multipliers Test Results

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	8.740788 (0.0031)	0.006462 (0.9359)	8.747250 (0.0031)
Honda	-2.956482 (0.9984)	-0.080386 (0.5320)	-2.147390 (0.9841)
King-Wu	-2.956482 (0.9984)	-0.080386 (0.5320)	-0.939384 (0.8262)
Standardized Honda	-2.779572 (0.9973)	0.259207 (0.3977)	-7.265109 (1.0000)
Standardized King-Wu	-2.779572 (0.9973)	0.259207 (0.3977)	-4.096866 (1.0000)
Gourieroux, et al.	--	--	0.000000 (1.0000)

Data source: Processed results of Eviews 12

Based on the results of the Lagrange multiplier test conducted using the LM-Test, the Breusch-Pagan cross-section value was recorded at 0.0031, which is < 0.05 . Therefore, these results indicate that the applied model is REM.



4. Model Conclusion

Table 7. Model Test Conclusions

No.	Method	Testing Results	Results
1	Chow Test	CEM vs FEM	Common Effect Model(CEM)
2	Hausman test	REM vs FEM	-
3	Lagrange Multipliers Test	CEM vs REM	Random Effect Model(BRAKE)

Based on the resultsVerification of the panel fact regression model determination that has been implemented, the Chow test shows that the most accurate model applied in this research is the Common Effect Model (CEM). This achievement indicates that there is no disparity in essential characteristics between cross-section components, so the Common Effect Model is more ideal compared to the FEM.

In connection with the results of the Chow test which selected the Common Effect Model, the Hausman test was not carried out, because this test...was applied to determine the optimal model between the Fixed Effect Model and the Random Effect Model. Because the Fixed Effect Model was not selected in the Chow testing phase, verification of the subsequent model determination was continued directly through the Lagrange Multiplier (LM) test.

The Lagrange Multiplier test results demonstrate that the Random Effects Model (REM) is more accurate when compared to the Common Effects Model. Therefore, based on the series of model verifications conducted, it can be concluded that the most ideal panel fact regression model for this research is the Random Effects Model. This model was then applied in the panel fact regression comparison and hypothesis verification in this research.

Classical Assumption Test Results

Based onTo determine the panel fact regression model, the optimal model applied in this research is the Random Effects Model (REM). Because the selected model is a random effects model, it does not require classical assumption testing. The random effects model will apply the generalized least squares (GLS) projection approach, which assigns identical weights or significance to each observation, enabling GLS to produce an estimator with the characteristics of the best linear unbiased estimator (BLUE) (Dea Aulia et al., 2019).

Panel Data Regression Analysis

Table 8. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5133.932	1848.400	2.777501	0.0060
X1	262.0341	281.6646	0.930305	0.3533
X2	-0.437335	15.49224	-0.028229	0.9775
X3	-2.021462	0.708367	-2.853694	0.0047

According to the results of the panel data regression study in table 4.15 above, the regression formula obtained is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

$$FD = 5133.932 + 262.0341 (X_1) - 0.437335 (X_2) - 2.021462 (X_3)$$

Based on the function of the regression equation on the panel data mentioned previously, it can be interpreted in the following way:

1. Based onThe results of panel fact regression testing show that the financial distress figure in the form of a dependent variable (Y) is 5133.932 with a probability of 0.0060. This probability figure is smaller than the 0.05 sign level, thus indicating that the applied panel fact regression model has essential implications for financial distress. In this research, the applied independent variables include the quantity of audit committees (X1), capital structure (X2), and corporate scale (X3). The verification results show that these three indicators simultaneously have essential implications for the condition of corporate financial distress.



2. Based on the results of the panel data regression test, the audit committee size variable (X1) has a coefficient value of 262.0341 through a probability figure (Prob.) of 0.3533. This probability figure is greater than the significance level of 0.05, thus showing that the audit committee quantity variable does not have essential implications on *financial distress*.
3. Based on the results of the panel data regression test, the capital structure variable (X2) has a coefficient value of -0.437335 with a probability value of 0.9775. This probability value is greater than the 0.05 sign level, indicating that the capital structure variable does not have a significant impact on financial distress.
4. Based on the results of panel data regression testing, Variable X3, which is proxied as the corporate scale, obtained a coefficient of -2.021462 with a probability value (Prob.) of 0.0047. This probability value is smaller than the significance level of 0.05 ($0.0047 < 0.05$), so it can be stated that the corporate scale variable has essential implications for the dependent variable..

Panel Data Hypothesis Test Results

1. Coefficient of Determination (R2)

Table 9. Test of Determination Coefficient (Random Effect Model)

Weighted Statistics			
R-squared	0.040689	Mean dependent var	149.6654
Adjusted R-squared	0.027365	S.D. dependent var	2355.823
S.E. of regression	2323.366	Sum squared resid	1.17E+09
F-statistic	3.053872	Durbin-Watson stat	2.857351
Prob(F-statistic)	0.029380		

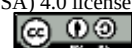
Based on the test results above, The value obtained was 0.027365. This figure shows that the independent variables, consisting of the number of audit committees, capital structure, and corporate scale, are able to explain 2.7365% of the variation in the financial distress variable, while the remaining 97.2635% is explained by other indicators outside this research model. This indicates that the capacity of the independent variables to explain financial distress is still relatively low.

2. Simultaneous Test (F Statistic Test)

Table 10. Results of the F Statistical Test

Weighted Statistics			
R-squared	0.040689	Mean dependent var	149.6654
Adjusted R-squared	0.027365	S.D. dependent var	2355.823
S.E. of regression	2323.366	Sum squared resid	1.17E+09
F-statistic	3.053872	Durbin-Watson stat	2.857351
Prob(F-statistic)	0.029380		

Based on the results of simultaneous testing (F test), The independent variables consisting of the quantity of audit committees, capital structure, and corporate scale obtained an F-count of 3.053872 with a probability value (Prob.) of 0.029380. This probability value is smaller than the significance level of 0.05 ($0.029380 < 0.05$), so it can be concluded that simultaneously the three independent indicators have essential implications for financial distress. This case shows that the quantity of audit committees, capital structure, and corporate scale can jointly influence the condition of financial distress in the corporation that is the object of research. Thus, the hypothesis confirming that the independent variables simultaneously have implications for financial distress is declared accepted.



3. Partial Test (T-Statistic Test)

Table 11. Results of the T-Statistic Test

Dependent Variable: Y
 Method: Panel EGLS (Cross-section random effects)
 Date: 05/26/26 Time: 12:41
 Sample: 2020 2024
 Periods included: 5
 Cross-sections included: 44
 Total panel (balanced) observations: 220
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5133.932	1848.400	2.777501	0.0060
X1	262.0341	281.6646	0.930305	0.3533
X2	-0.437335	15.49224	-0.028229	0.9775
X3	-2.021462	0.708367	-2.853694	0.0047

Source: reviews 12 results

Based on the results of the T statistical test in the table above, the following are the test results:

1. The Effect of Audit Committee Size on Financial Distress

Based on the results of partial testing (t-test), variable X1, which is proxied as the size of the audit committee, obtained a t-value of 0.930305 with a probability value (Prob.) of 0.3533. This probability value is > the 0.05 sig level ($0.3533 > 0.05$), thus indicating that the audit committee size variable does not have a significant influence on financial distress. The results of this study indicate that the size of the audit committee has not been able to influence the state of financial distress in the companies that are the objects of research. Thus, the hypothesis that states that the size of the audit committee has an impact on financial distress is rejected.

2. The Influence of Capital Structure on Financial Distress

Based on the results of partial testing (t-test), the variable X2 is proxied as capital structure. obtained a t-count of -0.028229 with a probability value (Prob.) of 0.9775. This probability value is greater than the significance level of 0.05 ($0.9775 > 0.05$), so it can be concluded that the capital structure variable does not have essential implications for financial distress. A negative coefficient value indicates the opposite direction of the relationship, but because it is not statistically essential, fluctuations in capital structure have not been able to influence the condition of financial distress in the corporations that are the objects of research. Thus, the hypothesis confirming that capital structure has implications for financial distress is stated. rejected.

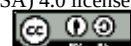
3. The Effect of Company Size on Financial Distress

Based on the results of partial testing (t-test), variable X3, which is proxied as company size, obtained a t-value of -2.853694 with a probability value (Prob.) of 0.0047. This probability figure is smaller compared to the significance level of 0.05 ($0.0047 < 0.05$), so it can be summarized that the corporate scale variable has essential implications for financial distress. The negative t-value indicates that the corporate scale has a negative relationship direction to financial distress, which means that the larger the corporate scale, the lower the tendency for financial distress to occur. Thus, the hypothesis confirming that corporate scale influences financial distress is declared accepted.

Discussion of Research Results

1. The Effect of Audit Committee Size, Capital Structure, and Company Size on Financial Distress

Based on the results of regression testing, The F-test value is 3.053872 with a probability value of 0.029380. Since the probability value is less than 0.05 ($0.029380 < 0.05$), it can be concluded that H_0 is rejected and H_1 is accepted. Simultaneously, the quantity of audit committees, capital structure, and corporate scale have significant implications for financial distress. This indicates that the three independent indicators together are capable of explaining variations in corporate financial distress.



However, the coefficient of determination (R^2) test shows a value of 0.027365 or 2.7365%. This means that the capacity of the variables of the quantity of audit committees, capital structure, and corporate scale to explain variations in financial distress is only 2.73%, while the remaining 97.27% is influenced by other indicators outside this research model. This relatively small R^2 value indicates that, despite the statistically significant model, the explanatory contribution of the independent variables to financial distress is still limited..

This case suggests that corporate financial distress is not solely influenced by a single factor, but rather is the result of the interaction of internal oversight mechanisms, funding policies, and company characteristics. The size of the audit committee reflects the effectiveness of its oversight function on a company's financial performance and reporting. A representative audit committee is projected to reduce the risk of financial management negligence that could lead to financial distress. Furthermore, capital structure plays a crucial role in determining the degree of corporate financial risk. A high proportion of debt can escalate financial burdens and the risk of default, potentially increasing the probability of financial distress. Therefore, optimal capital structure management is essential in maintaining corporate financial stability. Meanwhile, corporate scale reflects the corporation's capacity to manage resources and withstand economic contraction. Larger corporations generally have broader access to funding, greater business diversification, and a higher degree of resilience to financial risk, thus tending to have a lower probability of financial distress compared to smaller corporations.

This research can be explained through Agency Theory, which confirms the existence of a contractual relationship between corporate owners (principals) and management (agents). Disparities in interests between the two parties have the potential to trigger agency conflicts that can impact the performance and financial condition of the corporation. Simultaneously, this research demonstrates that the number of audit committees, capital structure, and corporate scale interact to influence the level of financial distress through mechanisms that reduce agency conflicts. This research strengthens the relevance of Agency Theory in explaining the importance of effective corporate management and financial policies to maintain a company's financial health.

2. The Effect of Audit Committee Size on Financial Distress

Based on the results of partial testing (t-test), variable X_1 , which is proxied as the size of the audit committee, obtained a t-count value of 0.930305 with a Prob. value of 0.3533. This probability value is $>$ sig. level 0.05 ($0.3533 > 0.05$). Thus, the hypothesis stating that the size of the audit committee has an impact on financial distress is rejected.

This research indicates that the size of the audit committee does not necessarily determine a company's ability to prevent or reduce the risk of financial distress. Although theoretically...While the audit committee acts as a supervisory instrument to reduce agency conflicts and improve the quality of corporate financial management, this research demonstrates that the quantitative dimension of the audit committee is not yet effective enough in influencing a corporation's financial condition. The insignificant impact of the audit committee's quantity on financial distress may be due to several factors, including the fact that the functionality and effectiveness of the audit committee's performance are determined more by the quality, capability, and independence of its personnel, rather than solely by the quantity of personnel. Furthermore, the audit committee's existence is likely merely a formality to fulfill regulatory requirements, thus preventing its role in financial supervision from operating optimally..

The results of this study are in line with previous studies conducted by Hanny and Aan Marlinah (2023), Nur Rizqiani and Umaimah (2022) which confirms that the quantity of the audit committee has no implications for financial distress. The similarity of these results demonstrates the consistency of empirical findings regarding the role of the audit committee in conditions of corporate financial distress.

3. The Influence of Capital Structure on Financial Distress

Based on the results of partial testing (t-test), the variable X_2 is proxied as The capital structure obtained a t-count of -0.028229 with a probability value (Prob.) of 0.9775. This probability value is greater than the significance level of 0.05 ($0.9775 > 0.05$), so it can be concluded that the capital structure variable does not have any essential implications for financial distress.

This research finding demonstrates that disparities in corporate capital structure composition do not directly impact financial distress. This suggests that the degree of debt used in a corporation's



funding structure is not necessarily a determining factor in escalating or reducing the risk of financial constraints. Corporations likely possess the capability to manage their financial obligations effectively, so a high debt proportion does not necessarily trigger financial distress. Furthermore, the insignificant impact of capital structure on financial distress may be due to the presence of other, more dominant indicators, such as profitability, operational cash flow, operational efficiency, and corporate management quality. These factors have the potential to play a greater role in determining a corporation's financial condition than capital structure alone.

This research finding aligns with previous research conducted by Muhammad Irfan et al. (2023), Neneng Hasanah, and Tsarina Zenabia (2025), which found that capital structure had no effect on financial distress. These similar results demonstrate the consistency of empirical findings regarding the relationship between a company's funding structure and financial distress.

4. The Effect of Company Size on Financial Distress

Based on the results of the partial test (t-test), variable X3, which is proxied as company size, obtained a t-value of -2.853694 with a probability value (Prob.) of 0.0047. This probability value is smaller than the 0.05 level of significance ($0.0047 < 0.05$), so it can be summarized that corporate scale has negative and essential implications for financial distress. This means that the larger the corporate scale, the lower the degree of financial distress experienced by the tendentious corporation..

This research suggests that corporate size plays a significant role in determining a corporation's financial condition. Larger corporations generally have more adequate resources, more complex organizational structures, and broader access to funding sources. These conditions encourage corporations to be more resilient in facing financial contractions and reduce the risk of financial distress. Furthermore, large corporations tend to have a higher degree of business diversification and better internal control systems than smaller corporations. This can enhance financial stability and reduce the likelihood of financial constraints. Conversely, smaller corporations are relatively more vulnerable to changes in economic conditions and funding constraints, thus having a greater potential for experiencing financial distress.

The results of this study align with previous research conducted by Ni Luh Budiari and Sunitha Devi (2023), and Felsiana Baros et al. (2022), which showed that company size influences financial distress. These similar findings indicate consistent empirical evidence regarding the role of company size in influencing financial distress.

Conclusion

This study shows that audit committee size and capital structure have no significant effect on financial distress, while company size has a negative and significant effect on financial distress in infrastructure sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. Simultaneously, audit committee size, capital structure, and company size have a significant effect on financial distress, with an F-test probability value of 0.029380. However, the coefficient of determination value of 2.7365% indicates that the ability of these three variables to explain variations in financial distress is still very limited, while 97.2635% is influenced by other factors outside the research model. Practically, the results of this study indicate that companies need to pay attention to resource management and company scale as part of an effort to maintain financial stability, while continuing to improve the effectiveness of audit committee supervision and capital structure management.

The limitations of this study lie in the use of three independent variables with relatively low model explanatory power, the limited observation period and research objects in infrastructure sector companies, and the use of a panel data regression approach that has limitations in explaining all factors influencing financial distress. Therefore, further research is recommended to add other relevant variables, such as profitability, liquidity, cash flow, company growth, expansion, and macroeconomic factors, extend the observation period, and expand the research objects so that the results have a broader scope of generalization. For investors and creditors, the results of this study can be an additional



consideration in evaluating a company's financial condition, especially by considering company size along with other financial indicators before making investment and financing decisions.

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