

The Effect of Audit Committee Characteristics and Length of Listing on Financial Distress with Intellectual Capital as a Moderation Variable in Property Companies

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ABSTRACT

This study aims to determine the effect of audit committee characteristics on financial difficulties. The characteristics of the audit committee used in this study are the size of the audit committee, the frequency of audit committee meetings, the number of financial experts on the audit committee, and the length of listing. This study uses a moderating variable, namely intellectual capital.

The population in this study is 65 property and real estate companies listed on the Indonesia Stock Exchange in 2016-2020. Based on the purposive sampling method, the samples obtained were from 38 companies. Financial distress criteria in this study were measured using the Modified Altman Z-Score. Data analysis used logistic regression with the help of E-Views software.

The results of this study indicate that the size of the audit committee, the frequency of audit committee meetings, the number of financial experts on the audit committee, and the length of listing simultaneously significantly affect financial distress. The results of the partial test show that the frequency of audit committee meetings and the length of listing have a positive and significant effect on financial distress. The number of audit committees and the number of financial experts in the audit committee have no significant impact on financial distress. Intellectual Capital cannot moderate the relationship between the size of the audit committee, the frequency of audit committee meetings, the number of financial

experts on the audit committee, and the length of listing on financial distress.

Keywords: *financial distress*, audit committee, *altman z-score*

INTRODUCTION

Financial Distress indicates that the company's financial condition is unhealthy and is the leading cause of company bankruptcy. Bankruptcy is often associated with a condition called "financial distress." This financial distress model is hoped to become an early warning system for all companies in managing their business activities (Triwahyuningtias, 2012).

The condition of financial distress is a condition that is highly unwanted by various parties. If financial distress occurs, investors and creditors will tend to be careful in investing or providing loans to the company. Stakeholders will tend to react negatively to this condition. Therefore, the company's management must immediately take action to overcome the problem of financial distress and prevent bankruptcy.

Obtaining large profits continuously is the goal of every company. These profits will finance the company's operational and other activities to maintain its business continuity. However, not all companies can realize it because many companies have gone bankrupt due to financial distress problems that cannot be adequately handled. Financial

distress is when a company does not have sufficient assets to pay off its short-term and long-term obligations (Madhushani & Kawshala, 2018). The company is experiencing financial distress (Platt & Platt, 2002). The company does not pay dividends, and there are sudden layoffs. 2) Interest coverage ratio, 3) The company has long-term debt that is greater than the current cash flow, 4) Net Operating Income is negative, 5) Equity prices have changed, 6) The company's operations have been terminated due to the government's authority to carry out restructuring planning, 7) Violation has occurred technical matters relating to debt. The company is predicted to experience bankruptcy in the future, 8) Has a negative Earnings per Share (EPS).

Table 1. Phenomena in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2016-2020

No.	Company	Code	Year	Net Loss of Current Period
1	Binakarya Jaya Abadi Tbk.	BKA	2016	(Rp77,981,341,628)
2	Bukit Dermo Property Tbk.	BKDP	2016	(Rp28,948,289,175)
3	Bakrieland Development Tbk.	ELTY	2016	(Rp547,264,547,124)
4	Binakarya Jaya Abadi Tbk.	BKA	2017	(Rp44,354,027,770)
5	Bhuwanatala Indah Permai Tbk.	BIPP	2017	(Rp31,033,697,167)
6	Bukit Dermo Property Tbk.	BKDP	2017	(Rp49,170,166,331)
7	Bakrieland Development Tbk.	ELTY	2017	(Rp266,476,276,309)
8	Binakarya Jaya Abadi Tbk.	BKA	2018	(Rp45,682,595,609)
9	Bhuwanatala Indah Permai Tbk.	BIPP	2018	(Rp79,203,069,270)
10	Bukit Dermo Property Tbk.	BKDP	2018	(Rp36,654,139,665)
11	Binakarya Jaya Abadi Tbk.	BKA	2019	(Rp82,553,635,471)
12	Bhuwanatala Indah Permai Tbk.	BIPP	2019	(Rp46,349,508)
13	Bukit Dermo Property Tbk.	BKDP	2019	(Rp30,944,840,630)
14	Bakrieland Development Tbk.	ELTY	2019	(Rp818,853,614,068)
15	Binakarya Jaya Abadi Tbk.	BKA	2020	(Rp104,334,806,073)
16	Bukit Dermo Property Tbk.	BKDP	2020	(Rp31,050,114,021)
17	Bakrieland Development Tbk.	ELTY	2020	(Rp326,358,000,000)

Source: Processed data, 2022

Based on the phenomena in table 1, this is related to financial distress where the company experiences negative net operating income, even 3-5 years in a row experiencing negative net operating income. Property and real estate companies experiencing negative net operating income in 2016 amounted to 16%, 2017 amounted to 13%, 2018 amounted to 15%, 2019 amounted to 34%, and 2020 amounted to 56%. These conditions must be addressed

immediately before the company goes bankrupt.

Indonesia experienced an economic slowdown in the second, third, and fourth quarters of 2020 due to the Covid-19 pandemic. The slowdown has had a negative impact on various sectors in Indonesia, including the property sector. Most property prices, such as houses, apartments, and motorized vehicles, have experienced a sharp decline. This is due to a decrease in demand for property in line with the increasing caution of the public in spending amid a pandemic.

Many investors do business in property and real estate companies because businesses in these industries provide satisfying and beneficial returns for investors. However, if mismanaged, they can go bankrupt, aka bankruptcy. The proof is that property issuers are dragged into the vortex of bankruptcy. In simple terms, bankruptcy is when a person or company has difficulty paying debts.

The bankruptcy experienced by the property industry resulted in losses for many parties, so many researchers researched to predict the company's viability. Therefore, a tool is needed to accurately predict financial distress as an early indication of bankruptcy. The model that can be used as a tool to predict financial distress is to use the Altman model (Z-Score). The Altman model (Z-Score) is a model that is often used in research to determine whether a company's financial performance is classified as a healthy company, experiencing financial difficulties, or is predicted to experience bankruptcy. This bankruptcy analysis is carried out to predict a company by considering and assessing the condition of property and real estate companies.

Bad corporate governance is one of the causes of a company experiencing financial distress. The management should account for the problem of financial difficulties or financial distress. Facing the company's financial difficulties or distress, the Audit Committee has an important role which is

obliged to carry out the oversight function in the company's financial management. The existence of an audit committee is needed to serve as a governance mechanism to strengthen governance, act as a supervisor to restore investor confidence, and promote a healthy capital market. Good Corporate Governance can improve financial performance so companies can avoid financial distress.

A competent Audit Committee is expected to help management improve company performance and reduce the possibility of a company experiencing financial distress (Nur & Umamah, 2021). The audit committee's effectiveness can be used to predict the occurrence of financial distress. The audit committee's effectiveness can be measured through the characteristics possessed by the audit committee so that it is expected to reduce the occurrence of financial distress. The first characteristic, according to the Financial Services Authority Regulation Number 55/POJK.04/2015, is that the size of the audit committee is a minimum of three people, consisting of one independent commissioner as chairman and two independent members from outside the company. Nuresa & Hadiprajitno (2013) stated that if the audit committee's size increases, the audit committee's effectiveness also increases because if the committee has more members who can exchange opinions in dealing with financial problems in the company, the company can avoid financial distress.

According to the Financial Services Authority Regulation Number 55/POJK.04/2015, the audit committee must hold regular meetings at least four times a year. Nuresa and Hadiprajitno (2013) stated that the more often committee members hold meetings, the more mistakes management can make in decision-making. This is because, with periodic and structured meetings, it is possible to oversee financial report reporting to avoid financial distress conditions.

Further characteristics, according to the Financial Services Authority Regulation Number 55/POJK.04/2015, the audit committee must have at least 1 (one) member with an educational background and expertise in accounting and finance. The aim is to facilitate the audit committee in carrying out its duties, one of which is to review the financial information that the company will issue. With members who are experts in the financial sector, financial distress will be given more attention.

Knowing the age of the listing will also determine the extent to which the company can survive. The longer the company has existed, the more twists and turns it has gone through in doing business, from progress to problems and obstacles encountered. Hence, the company tries to avoid financial distress.

In addition, because of the inconsistent results in previous studies, financial distress was chosen as the dependent variable in this study. In Yohanna & Herry's (2016) study, the size of the audit committee, which is proxied by the number of audit committee members owned by the company, has a negative effect on financial distress. Willy & Hendro (2021) show that the number of audit committee members has a negative impact on financial distress, while Vicky & Yulius (2020) show that the number of audit committee members positively affects financial distress.

Intellectual Capital is crucial to disclose and discuss because it contains intangible assets that determine company value. In addition, disclosing intellectual capital is one of the company's business strategies to maintain its existence in the business world. Intellectual capital "intellectual capital" is an intangible asset in the form of information and knowledge resources that increase competitiveness and improve company performance. Intellectual capital consists of three main elements, namely: (1) Human Capital, (2) structural capital or organizational capital, and (3) relational capital or customer capital.

This study applies intellectual capital as a moderating variable because when a company has intellectual capital, the audit committee will more effectively supervise the company and keep the company afloat (going concerned) to avoid financial distress.

Intellectual capital influences improving the performance of a company. When intellectual capital management improves, the company's performance will also be considered reasonable. Suppose the management of intellectual capital could be better. In that case, it will result in the company's performance being poorly judged so that it will be seen in the company's resources experiencing a decline in performance. As seen in the financial statements, a decrease in performance will lead to company profits. This will impact the possibility of financial distress in a company.

Disclosure of information about intellectual capital can reduce information asymmetry between companies and stakeholders (Sahlan & Srimindarti, 2018). Disclosure of intellectual capital information is crucial because it goes through a continuous learning process to create innovative and creative ideas within the Audit Committee. Intellectual capital disclosure also increases the audit committee's effectiveness in handling financial problems in the company and avoiding financial distress. Intellectual capital disclosure will also encourage the audit committee to hold meetings more frequently to achieve optimal performance so that the company avoids financial distress. Disclosure of Intellectual Capital will use the knowledge the Audit Committee possessed to make the company pay more attention to expertise in the financial sector so that financial distress conditions will be given more attention. Intellectual Capital Disclosure will also use the knowledge possessed by the company so that the company can survive and will affect the age of the company's listing and avoid financial distress.

LITERATURE REVIEW

Financial Distress

Financial distress is a company's financial condition decline before bankruptcy or liquidation occurs (Platt & Platt, 2002). Usually, a company's bankruptcy is marked by financial distress, a situation where the company is weak in generating profits or tends to experience a deficit. In other words, bankruptcy can also be interpreted as a company's failure to conduct operations to earn profits (Ramadhani & Lukviarman, 2009).

Financial distress can occur in various companies and can be a sign or signal of bankruptcy that a company may experience. If the company is in financial distress, management must be careful because it could enter the bankruptcy stage. Management of companies experiencing financial distress must take action to overcome these financial problems and prevent bankruptcy.

Number of Audit Committee

The Indonesian Audit Committee Association (IKAI) defines an audit committee as follows: A committee that works professionally and independently established by the board of commissioners, and as such, its task is to assist and strengthen the function of the board of commissioners (supervisory board) in carrying out the oversight function of the financial reporting process, risk management, auditing and implementation of corporate governance in companies.

Frequency of Audit Committee Meetings

The frequency of audit committee meetings is one of the characteristics of the audit committee. Karamanou and Nikos (2005) argue that audit committees often holding meetings will have much time to supervise the company's reporting process efficiently. Based on the Financial Services Authority Regulation Number 55/POJK.04/2015, the audit committee holds regular meetings at

least 1 (once) time in 3 (three) months.

The audit committee that meets more frequently is expected to be able to prevent indications of the occurrence of obstacles faced by the company, particularly in financial matters. The audit committee is also expected to reduce the possibility of errors in decision-making by management by providing continuous and structured internal control so that the company can avoid financial problems (financial distress) (Yohanna & Herry, 2016).

Number of Financial Experts in the Audit Committee

Based on the Financial Services Authority Regulation Number 55/POJK.04/2015, the audit committee must have at least 1 (one) member with an educational background and expertise in accounting and finance. The aim is to make it easier for the audit committee to carry out its duties, one of which is to review the financial information that the company will issue. If the audit committee members do not have financial expertise, it will become an obstacle in carrying out this task. With members who are experts in the financial sector, financial distress will be given more attention.

Knowledge of accounting and finance provides a reasonable basis for audit committee members to examine and analyze financial information. Educational background is essential to ensure the audit committee performs its role effectively. Audit committee members with financial competence are more professional in their approach and more adaptable to change and innovation (Hambrick & Mason, 1984). Therefore, audit committees with financially competent members are expected to adopt high accountability and achievement levels and strive for an excellent corporate image and performance. Audit committees need to improve when lacking financial competence (Kalbers, 1992).

Length of Listing

By knowing the age of the company listing,

it will also be known how far the company can survive. The longer the age of a company listing, the more extensive financial information it will provide compared to other companies with a shorter lifespan because these companies have more experience disclosing annual reports. Himawan & Widiastuti (2021) that the longer the company's life will provide a more comprehensive disclosure of financial information compared to other companies with shorter lives. The age of the company listing shows that the company still exists and can compete and take advantage of business opportunities in an economy. The company has been established, and more twists and turns passed in doing business, from progress to problems and obstacles encountered, so the company will try to avoid financial distress.

The company's age can be measured from the time the company operates. Companies operating for a long time usually have more capabilities in carrying out their operations. This aligns with continuous learning, making the company perform well and not experience financial difficulties. The longer the company survives, the more likely it is to return significant investments because it has experience.

Intellectual Capital

Intellectual Capital includes all the knowledge of employees and organizations and their ability to create added value and lead to sustainable competitive advantage. Intellectual Capital is identified as a set of intangible assets such as resources, capabilities, and competencies that drive organizational performance and value creation (Bontis, 1998 in Puspita, 2016). In general, the primary constructs of Intellectual Capital are Human Capital (HC), Structural Capital (SC), and Customer Capital (CC) (Bontis et al., 2000).

Framework

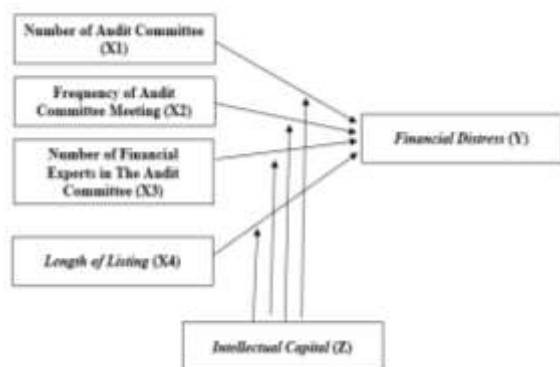


Figure 1. Framework

H1: The number of audit committees significantly negatively affects financial distress.

H2: Frequency of Audit Committees significantly negatively affects financial distress.

H3: The number of Financial Experts in The Audit Committee significantly negatively affects financial distress.

H4: Length of Listing significantly negatively affects financial distress.

H5: Intellectual Capital can moderate the influence of the number of audit committees on financial distress.

H6: Intellectual capital can moderate the impact of the Frequency of Audit Committee Meetings on financial distress.

H7: Intellectual capital can moderate the effect of the number of financial experts in the audit committee on financial distress

H8: Intellectual capital can moderate the impact of the length of listing on financial distress

H9: The number of audit committees, the frequency of audit committee meetings, the number of financial experts on the audit committee, and the length of listing simultaneously affect financial distress

MATERIALS & METHODS

This study's research type is classified as causal associative research. Causal associative research seeks causal influences (relationships) and aims to determine the effect of the independent variables on the dependent variable. The

relationship tested in this study is a partial and simultaneous relationship between the independent variables number of the audit committee, frequency of audit committee, number of financial experts in the audit committee, and length of listing on the dependent variable Financial Distress with Intellectual Capital as a Moderating Variable. The research location is the Indonesia Stock Exchange (IDX) via the website www.idx.co.id and other sites related to research data. This research was conducted on property & real estate sector companies listed on the Indonesia Stock Exchange from 2016 to 2020.

The selection of sample data needed in this study is by purposive sampling technique. The purposive sampling technique is based on specific criteria with specific considerations. The criteria for taking samples in this study are:

1. Property and real estate companies listed on the Indonesia Stock Exchange in the 2016-2020 period.
2. Property and real estate companies publish audited financial reports for 2016-2020.
3. Data on all variables are listed in the annual report (annual report).

RESULT

Descriptive Statistics

Table 2. Descriptive Statistics Results

	All Sample				Financial Distress				Not Financial Distress			
	Min	Max	Mean	Std	Min	Max	Mean	Std	Min	Max	Mean	Std
AC	2	4	2.98	0.33	3	4	3.01	0.13	2	4	2.97	0.34
FACM	2	17	5.88	3.14	4	17	7.55	4.05	2	14	5.22	2.41
NFE	0	3	1.91	0.70	1	3	1.94	0.73	0	3	1.89	0.69
LL	1	31	16.78	8.49	4	30	18.44	8.50	1	31	16.13	8.51
IC	-19.84	47.10	6.27	7.51	-19.84	14.26	4.30	5.22	-16.00	47.10	7.06	8.12
Valid N	190				54				136			

Source: Processed secondary data, 2022

Based on the table above, it can be seen the results of the descriptive statistical analysis for the independent variables, mediating variables, and dependent variables:

- 1) In all 190 samples, the number of Audit Committees (AC) as an independent variable has a minimum value of 2 and a maximum of 4, with an average of 2.98 and a standard deviation of 0.33. The Financial Distress sample has a minimum value of 3 and a maximum of 4, with an average of 3.01 and a standard deviation of 0.13. In contrast, the Non-Financial Distress sample has a minimum value of 2 and a maximum of 4, with an average of 2.97 and a standard deviation of 0.38. OJK regulations require companies to have a minimum of 3 (three) audit committees. However, there are still companies that have not implemented these regulations where based on the results of descriptive statistics, the minimum value is 2, namely Bekasi Asri Pemula, Tbk (BAPA), Megapolitan Development, Tbk (EMDE) and Roda Vivatex, Tbk (RDTX).
- 2) Frequency of Audit Committee Meetings (FACM) as an independent variable in all samples has a minimum value of 2 and a maximum of 17 with an average of 5.88 and a standard deviation of 3.14. The Financial Distress sample has a minimum value of 4 and a maximum of 17, with an average of 7.55 and a standard deviation of 4.05. In contrast, the Non-Financial Distress sample has a minimum value of 2 and a maximum of 14, with an average of 5.22 and a standard deviation of 2.41. OJK regulations require the audit committee to hold regular meetings at least four times yearly. However, there are still companies that have not implemented these regulations where from the results of descriptive statistics, the minimum value is 2, namely Bekasi Asri Pemula, Tbk (BAPA), Pakuwon Jati, Tbk (PWON) and Roda Vivatex, Tbk (RDTX).
- 3) The number of financial experts in the Audit Committee (NFEAC) as an independent variable in all samples has a minimum value of 0 and a maximum of 3, with an average of 1.91 and a standard deviation of 0.70. The Financial Distress sample has a minimum value of 1 and a maximum of 3, with an average of 1.94 and a standard deviation of 0.73. In contrast, the Non-Financial Distress sample has a minimum value of 0 and a maximum of 3, with an average of 1.89 and a standard deviation of 0.69. OJK regulations require that audit committees have at least 1 (one) member with educational and expertise background in accounting and finance. However, some companies still need to implement these regulations where based on the results of descriptive statistics, the minimum value is 0, namely Rista Bintang Sejati Crown (RBMS). This happened because the audit committee had an educational background with a Bachelor of Laws, Military Education, Indonesian Police Academy, Civil Engineering, Medicine, Literature and Languages, and Architectural Engineering.
- 4) Length of Listing as an independent variable in all samples has a minimum value of 1 and a maximum of 31, with an average of 16.78 and a standard deviation of 8.49. The Financial Distress sample has a minimum value of 4 and a maximum of 30, with an average of 18.44 and a standard deviation of 8.30. In contrast, the Non-Financial Distress sample has a minimum value of 1 and a maximum of 31, with an average of 16.13 and a standard deviation of 8.51. Descriptive statistical results with a minimum value of 1, namely Puradelta Lestari, Tbk (DMAS), Mega Manunggal Property, and Tbk (MMLP). Pakuwon Jati, Tbk (PWON) has a maximum value of 31.
- 5) Intellectual Capital as a moderating variable in all samples has a minimum value of -19.84 and a maximum of 47.10, with an average of 6.27 and a standard deviation of 7.51. The

Financial Distress sample has a minimum value of -19.84 and a maximum of 14.26, with an average of 4.30 and a standard deviation of 5.22. In contrast, the Non-Financial Distress sample has a minimum value of -16.00 and a maximum of 47.10, with an average of 7.06 and a standard deviation of 8.12. Descriptive statistical results of the minimum value of -19.84, namely Pikko Land Development, Tbk (RODA). Fortune Mate Indonesia, Tbk, owns a maximum value of 47.10.

- 6) Financial Distress (FD) in this study is dummy data, which is worth one if experiencing financial distress, and 0 if not experiencing financial distress. Calculation of the Altman Z-Score categorizes companies with a score of less than 1.1 will be categorized as bankrupt. Companies with a score between 1.1 and 2.6 will be included in the gray area category, and those with a score of more than 2.6 will be categorized as a company that are not broken. In this study, a company is categorized as financially distressed if the Z-score is < 2.6 (bankrupt category and a gray area), which is 1, and the Z-score is > 2.6 (healthy category), which is 0.

Model Feasibility Test

The feasibility test of the regression model to find out whether the research model is suitable with research data can be seen in the feasibility test of the model by measuring the chi-square value by looking at the output results on the Hosmer and Lemeshow's Goodness of fit Test. These results can be known by comparing the probability of significance with a significance level of α of 5% in the output results.

Table 3. Hosmer and Lemeshow Test

H-L Statistic	10.6609	Prob. Chi-Sq(8)	0.2217
Andrews Statistic	28.6741	Prob. Chi-Sq(10)	0.0014

Source: Results of data processing with EViews

In Table 3., the model feasibility test shown by the Hosmer and Lemeshow Test results shows a Chi-Square Probability of 0.2217. The Chi-Square value of $0.2217 > 0.05$ means no difference in the estimated data of the logistic regression model with the research observation data. It indicates that the regression model is feasible and appropriate (appropriate) to use in this study.

Overall Model Test (Overall Model Fit)

This test uses the likelihood ratio (LR) statistical test to determine the effect of independent variables on dependent variables in the regression model.

Table 4. Overall Model Fit Test

McFadden R-squared	0.122934	Mean dependent var	0.284211
S.D. dependent var	0.452229	S.E. of regression	0.421237
Akaike info criterion	1.099648	Sum squared resid	32.82656
Schwarz criterion	1.185096	Log likelihood	-99.46857
Hannan-Quinn criter.	1.134262	Deviance	198.9331
Restr. Deviance	226.8167	Restr. log likelihood	-113.4084
LR statistic	27.88359	Avg. log likelihood	-0.523508
Prob(LR statistic)	0.000013		

Source: Results of data processing with EViews

Based on Table 4., the prob value (LR statistic) is 0.000013, where this result is less than 0.05, it can be concluded that the independent variables jointly affect the dependent variables.

Classification Matrix

Table 5. Expectation-Prediction Test

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1)=C	129	38	168	136	54	190
P(Dep=1)=C	7	15	22	0	0	0
Total	136	54	190	136	54	190
Correct	129	15	144	136	0	136
% Correct	94.85	27.78	75.79	100.00	0.00	71.58
% Incorrect	5.15	72.22	24.21	0.00	100.00	28.42
Total Gain*	-5.15	27.78	4.21			
Percent Gain**	NA	27.78	14.81			

Source: Results of data processing with EViews

Based on Table 5, in the estimated equation column, it is known that the total results

from the percentage value of correct prediction accuracy are obtained at 75.79%, which means that the percentage of model accuracy in predicting the possibility of financial distress in this study is 75.79% so that the research model can be concluded as good.

Multicollinearity Test

Table 6. Multicollinearity Test

	FD	AC	FACM	NFE	LL
FD	1.000000	0.065100	0.335748	0.030470	0.123028
AC	0.065100	1.000000	0.149826	0.219891	-0.055404
FACM	0.335748	0.149826	1.000000	0.105330	-0.165610
NFE	0.030470	0.219891	0.105330	1.000000	0.224334
LL	0.123028	-0.055404	-0.165610	0.224334	1.000000

Source: Results of data processing with EViews

Table 6 above shows that the value of all independent variables is less than 0.9, which means there is no correlation between variables. This indicates that there are no symptoms of multicollinearity.

Logistic Regression Test Results Logistic Regression Analysis Results

Logistic regression analysis was used in this study to describe the effect of the Number of Audit Committees (KA), Frequency of Audit Committee Meetings (FR), Number of Financial Experts in the Audit Committee (AK), Length of Listing (LL), and Intellectual Capital (IC) on Financial Distress (Y). The following are results of the logistic regression as follows:

Table 7. Logistic Regression Analysis Results

Dependent Variable: FD
Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)
Date: 12/25/22 Time: 10:03
Sample: 2016 2020
Included observations: 190
Convergence was achieved after 4 iterations.
Coefficient covariance computed using observed Hessian.

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-4.323570	1.923975	-2.247207	0.0246
AC	0.398928	0.623037	0.640296	0.5220
FACM	0.259433	0.056999	4.551554	0.0000
NFE	-0.257403	0.273196	-0.942193	0.3461
LL	0.062549	0.023263	2.688800	0.0072

Source: Results of data processing with EViews

Based on the results of the data above, the logistic regression equation can be formulated as follows:

$$= -4.323 + 0.398 AC + 0.259 FACM - 0.257 NFEAC + 0.062 LL$$

The regression equation above has a constant meaning of -4.323, meaning that if all the independent variables are equal to zero, then financial distress is worth -4.323. KA has a regression coefficient of 0.398 which means that for every increase in KA by 1 unit, financial distress increases by 0.398, assuming other factors are constant. FR has a regression coefficient of 0.259, meaning that for every 1 unit increase in FR, financial distress increases by 0.259, assuming other factors are constant. AK has a regression coefficient of -0.257, which means that for every rise in AK by 1 unit, financial distress decreases by 0.257, assuming other factors are constant. LL has a regression coefficient of 0.062, which means that for every 1 unit increase in LL, financial distress increases by 0.062, assuming other factors are constant.

Partial Test

The partial test aims to show how much influence each independent variable can explain the dependent variable. The following are the test results:

Table 8. Partial Test

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-4.323570	1.923975	-2.247207	0.0246
AC	0.398928	0.623037	0.640296	0.5220
FACM	0.259433	0.056999	4.551554	0.0000
NFE	-0.257403	0.273196	-0.942193	0.3461
LL	0.062549	0.023263	2.688800	0.0072

Source: Results of data processing with EViews

Based on the test results in table 8., the influence of the Number of Audit Committees, Frequency of Audit Committee Meetings, Number of Financial Experts in the Audit Committee, Length of Listing, and Intellectual Capital on Financial Distress can be explained as follows:

a) Number of Audit Committee

Based on the test results in the table above, the variable Number of Audit Committees has a regression coefficient of 0.398. The significance level is greater than the predetermined significance level, $0.522 > 0.05$. This shows that the number of audit committees does not affect financial distress in property and real estate companies listed on the Indonesia Stock Exchange.

b) Frequency of Audit Committee Meetings

Based on the test results in the table above, the variable Frequency of Audit Committee Meetings has a regression coefficient of 0.259. The significance level is smaller than the predetermined, $0.000 < 0.05$. This shows that the Frequency of Audit Committee Meetings positively affects Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.

c) Number of Financial Experts in The Audit Committee

Based on the test results in the table above, the variable Number of Financial Experts in the Audit Committee has a regression coefficient of -0.257. The significance level is greater than the predetermined significance level, $0.346 > 0.05$. This shows that the number of financial experts in the audit committee does not affect financial distress in property and real estate companies listed on the Indonesia Stock Exchange.

d) Length of Listing (LL)

Based on the test results in the table above, the variable Length of Listing has a regression coefficient value of 0.062 and a significance level smaller than the predetermined significance level, $0.007 < 0.05$. This shows that the Length of Listing positively affects Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.

Simultaneous Test

Furthermore, the statistical likelihood ratio (LR) test functions to jointly test the effect of the independent variables and whether they can affect the dependent variable in the study. The statistical likelihood ratio (LR) test can identify simultaneous logistic regression testing.

Table 9. Simultaneous Test

McFadden R-squared	0.122934	Mean dependent var	0.284211
S.D. dependent var	0.452229	S.E. of regression	0.421237
Akaike info criterion	1.099648	Sum squared resid	32.82656
Schwarz criterion	1.185096	Log likelihood	-99.46657
Hannan-Quinn criter.	1.134262	Deviance	198.9331
Restr. deviance	226.8167	Restr. log likelihood	-113.4084
LR statistic	27.88359	Avg. log likelihood	-0.523508
Prob(LR statistic)	0.000013		

Source: Results of data processing with EViews

In Table 9, it is known that the probability (LR statistics) is $0.000013 < 0.05$. From the output, it is concluded that the estimation results for rejecting H_0 and accepting H_a . This result means that the independent variables in the study can jointly affect the dependent variable.

Determination Coefficient Test (R2 McFadden)

The coefficient of determination (R2 McFadden) measures how far the model can explain the variation in the dependent variable, which is mentioned in Table 10.

Table 10. Test of the Coefficient of Determination (R2 McFadden)

McFadden R-squared	0.122934	Mean dependent var	0.284211
S.D. dependent var	0.452229	S.E. of regression	0.421237
Akaike info criterion	1.099648	Sum squared resid	32.82656
Schwarz criterion	1.185096	Log likelihood	-99.46657
Hannan-Quinn criter.	1.134262	Deviance	198.9331
Restr. Deviance	226.8167	Restr. log likelihood	-113.4084
LR statistic	27.88359	Avg. log likelihood	-0.523508
Prob(LR statistic)	0.000013		

Source: Results of data processing with EViews

Based on Table 10, it is stated that the McFadden R-Square of 0.122934, where this result explains the variability of the dependent variable, which can be explained by the variability of the independent variable of 12.29%, and the remaining 87.71% is explained by other variables outside the model.

Regression Analysis with Moderating Variables

Testing Intellectual Capital (Z) in Moderating the Effect of Number of Audit Committees (X1) on Financial Distress (Y)

Based on the results of Intellectual Capital testing in moderating the influence of the number of audit committees on financial distress listed on the Indonesia Stock Exchange using the EViews software can be seen in table 11.

Table 11. Moderation Test of H5

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-2.168337	2.459973	-0.881447	0.3781
AC	0.524489	0.818302	0.640948	0.5216
IC	-0.014862	0.227530	-0.065319	0.9479
MODERATION1	-0.014680	0.076404	-0.192136	0.8476

Source: Results of data processing with EViews

The Moderation 1 coefficient value is -0.014680 with a significance value of 0.8476 greater than α (0.05). Based on the results, the intellectual capital variable cannot moderate the relationship between the number of audit committees and financial distress.

Testing Intellectual Capital (Z) in Moderating the Effect of Frequency of Audit Committee Meetings (X2) on Financial Distress (Y)

Based on the results of Intellectual Capital testing in moderating the effect of Audit Committee Meeting Frequency on Financial Distress listed on the Indonesia Stock

Exchange using the EViews software can be seen in table 12.

Table 12. Moderation Test of H6

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-2.505135	0.620185	-4.039337	0.0001
FACM	0.353986	0.114145	3.101204	0.0019
IC	-0.035554	0.071645	-0.496252	0.6197
MODERATION2	-0.011502	0.012446	-0.924162	0.3554

Source: Results of data processing with EViews

The Moderation2 coefficient value is -0.011502 with a significance value of 0.3554 greater than α (0.05). Based on the results obtained, the intellectual capital variable cannot moderate the relationship between the frequency of audit committee meetings and financial distress.

Testing Intellectual Capital (Z) in Moderating the Effect of the Number of Financial Experts in the Audit Committee (X3) on Financial Distress (Y)

Based on the results of testing Intellectual Capital in moderating the influence of the Number of Financial Experts in the Audit Committee on Financial Distress registered on the Indonesia Stock Exchange using the EViews software can be seen in table 13.

Table 13. Moderation Test of H7

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-0.774960	0.567427	-1.365743	0.1720
NFE	0.095285	0.279607	0.340782	0.7333
IC	-0.072340	0.073980	-0.977831	0.3282
MODERATION3	0.006577	0.035600	0.184749	0.8534

Source: Results of data processing with EViews

The Moderation3 coefficient value is 0.006577 with a significance value of 0.8534 greater than α (0.05). Based on the results obtained, the intellectual capital variable cannot moderate the relationship between the number of financial experts on the audit committee and financial distress.

Testing Intellectual Capital (Z) in Moderating the Effect of Length of Listing (X4) on Financial Distress (Y)

Based on the results of Intellectual Capital testing in moderating the effect of Length of Listing on Financial Distress listed on the Indonesia Stock Exchange using EViews software, it can be seen in table 14:

Table 14. Moderation Test of H8

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.368467	0.532670	-2.569073	0.0102
LL	0.044052	0.027451	1.604777	0.1085
IC	-0.027585	0.054520	-0.505968	0.6129
MODERATION4	-0.001735	0.002819	-0.615467	0.5382

Source: Results of data processing with EViews

The Moderation coefficient4 is -0.001735 with a significance value of 0.5382 greater than α (0.05). Based on the results, the intellectual capital variable cannot moderate the relationship between the Length of Listing and financial distress.

CONCLUSION

Based on the results of the research and discussion in the previous chapter, several conclusions can be drawn as follows:

1. The number of Audit Committees does not affect Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.
2. Frequency of Audit Committee Meetings positively affects Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.
3. The number of Financial Experts in the Audit Committee does not affect Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.
4. Length of Listing positively affects Financial Distress in property and real estate companies listed on the Indonesia Stock Exchange.
5. Intellectual Capital cannot moderate the influence of the Number of Audit

Committees on Financial Distress.

6. Intellectual Capital cannot moderate the influence of the Frequency of Audit Committee Meetings on Financial Distress.
7. Intellectual Capital cannot moderate the influence of the Number of Audit Committee Financial Experts on Financial Distress.
8. Intellectual Capital cannot moderate the effect of the Length of Listing on Financial Distress.
9. The number of audit committees, the frequency of audit committee meetings, the number of financial experts on the audit committee, and the length of listing have a simultaneous effect on financial distress in property & real estate companies

RESEARCH LIMITATIONS

The limitations of this research are:

1. The companies selected are limited to property and real estate sector companies listed on the Indonesia Stock Exchange. Thus, it does not comprehensively describe the other sector companies listed on the Indonesia Stock Exchange. The companies that were sampled were only from the period 2016 to 2020.
2. Much information about the audit committee in the company's annual report must be completed, so the number of samples is getting smaller.
3. The existence of an audit committee that is implemented in public companies even though it has become Bapepam regulations, but there are still several companies that still need to implement it. Hence, the number of samples each year is different.
4. The independent variables only consist of the number of audit committees, the frequency of audit committee meetings, the number of financial experts in the audit committee, and the length of listing. Many other variables that can affect

Financial Distress are proven in this study. Other variables that can explain this variable are 87.71%.

SUGGESTION

Based on the limitations of the research, the suggestions given to make future research input are as follows:

1. Expand the research scope by making other industrial sectors listed on the Indonesia Stock Exchange as research objects.
2. For Bapepam, supervision of the obligation to have an audit committee in every public company must be operationalized more strictly and decisively.
3. Future researchers are advised to use other financial distress prediction models to serve as a comparison in predicting the possibility that a company will experience financial distress.
4. Future research is expected to re-test the moderating variable of intellectual capital.
5. Further research is also expected to re-examine the effect of other variables that might affect Financial Distress.

Declaration by Authors

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