Predicting the Risk of Financial Distress Using Intellectual Capital and Financial Ratio

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Abstract. The economic downturn was resulting from the Covid-19 pandemic impacted financial difficulties in financial sector companies. Financial sector companies that have negative equity and were delisted from the IDX. So it is essential to know which indicators can be used to identify financial distress early and avoid bankruptcy. The goal to be achieved from the results of this study is to empirically determine the influence of the audit committee, intellectual capital, operating cash flow, and leverage on financial distress moderated by independent commissioners in financial sector companies in Indonesia. This study uses a quantitative approach This study uses a quantitative approach. The unit of analysis for this research is the financial sector from 2017 to 2021, with 235 observations. Using a purposive sampling technique, 57 companies were studied. The analytical method used is Moderated Regression which is processed using the SPSS 26 application. The results show that the audit committee and intellectual capital positively influence financial distress, while operating cash flow and leverage variables negatively affect financial distress. The study results show that the independent commissioner can moderate the effect of the dependent variable on financial desperation.

Keywords: Financial distress · audit committee · intellectual capital · operating cash flow · leverage · independent commissioner

1 Introduction

The current COVID-19 pandemic, since the beginning of 2020, has impacted all aspects of global life, without exception to the economic element in Indonesia. As a result, the economy's current pace is still experiencing instability. Economic growth in Indonesia in 2020 experienced a sharp decline to touch -2.95%. If you look back at 2019, there was a difference of 3.57%, which was obtained from the calculation of Gross Domestic Product [1]. The current economic slowdown can disrupt company activities, which refers to all economic and business sectors in Indonesia, including the financial industry. This can hamper the company's heyday and experience the risk of financial difficulties or what is commonly called financial distress. Bankruptcy stage [2] report financial distress can be detected by knowing the cause. This usually occurs in companies with inadequate

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internal management, meaning that companies must pay more attention to strategies to achieve healthy performance. So it is essential to know the causal factors of financial distress, which will be reviewed in this study [3].

The economic downturn has caused many companies, especially those in the financial sector, to experience financial distress in the last two years, as seen from their negative equity. These companies include PT Magna Investama Mandiri, PT Intan Baru Prana, Danasupra Erapacific, PT First Indo Amerian Leasing, and PT Onix Capital [4]. Companies with a negative equity value can interpret that a company has assets that are smaller than its debts. In addition, financial sector companies were delisted on the Indonesia Stock Exchange in 2019, including Bank Nusantara Parahyangan and Bank Mitraniaga. In 2021 PT First Indo American Leasing will also experience delisting (www.idx.co.id). Delisting can be a sign of a company experiencing financial difficulties and even bankruptcy [5, 6].

The phenomena described above regarding the case of companies experiencing financial distress in the financial sector, the leading cause of which is the impact of the Covid-19 pandemic and competition between companies, indicates that these companies are less effective and efficient in planning strategies to survive during this pandemic. So it is essential to detect bankruptcy early by looking at any indicators that can affect financial distress. By identifying financial distress trends, it can benefit various parties, especially stakeholders in making decisions and other interested parties [1, 2, 7].

Previously, several studies had been conducted on what indicators could detect the causes of financial distress in companies, such as the audit committee variable, a form of company management control that controls and oversees company performance [3, 8]. The more comprehensive the coverage of an audit committee, the lower the risk of financial distress because the more intensity of the audit committee is considered to be more effective in carrying out its work. Based on research that has been conducted [9–12], the audit committee has a negative impact on financial distress. On the contrary [3, 13] identifies the audit committee has a positive influence on financial distress.

Concerning the intellectual capital variable, an intangible asset belonging to the company in the form of a set of knowledge, it can increase the company's competitive advantage [14, 15]. The high level of intellectual capital will be directly proportional to the level of success that the company can achieve. This means that companies that have human resources who have promising intellect will also have a small risk of the company experiencing financial distress [6]. Based on research [11, 14, 16] state that intellectual capital has a negative impact on financial distress, the results of other studies [2, 17] states that intellectual capital does not affect intellectual capital.

Based on research [2, 5, 18], operating cash flow has a negative impact on financial distress. While in the research [10, 19, 20], operating cash flows have no impact on financial distress. Leverage variables based on research [17, 20–23] leverage has a positive impact on financial distress, while in research [24] leverage has a negative effect on financial desperation. The leverage variable is the ratio used to estimate the amount of an asset in the company compared to its debt [20]. The higher the level of the leverage ratio in a company means that the company uses high debt too, this can be risky for the company because the company can experience financial distress [14].

The difference in research results related to audit committee variables, intellectual capital, operating cash flow and leverage raises the assumption that as for other variables affecting financial distress, one of them is an independent commissioner. Independent commissioners in supervising the board of directors is an essential thing in terms of supporting the company's achievements so that the company's accomplishments are controlled and avoid the threat of financial distress [25].

However, based on the phenomena and results of the previous studies described above, they have not been comprehensively explained, so the researchers offer a variable that distinguishes this research from previous studies, namely the intellectual capital variable and the independent commissioner moderating variable. The independent variables used have never been studied using the independent commissioner's moderating variable. Research with this model has never been carried out on objects related to financial distress. So, this study will examine the influence of audit committees, intellectual capital, operating cash flow, and leverage on financial distress with the independent commissioner as a moderating variable. In general, this study aims to empirically identify the influence of audit committees, intellectual capital, operating cash flow, and leverage on financial distress moderated by independent commissioners in financial sector companies in Indonesia. This study also uses liquidity, solvency, and market ratios as control variables.

2 Literature Review

Signalling Theory

The signalling theory put forward by Spence 1978 [26] indicates that in this theory, there is an interaction between the two camps that exchange information consisting of senders of signals, namely internal companies, especially management, which present relevant company performance information [26]. In comparison, the signal received is an external party to the company that needs this information. The movement captured can be either bad news or good news [5].

Concerning the variables used, the signal theory reveals that the more complex the intensity of the audit committee, the more positive the signal for shareholders because the company's performance will also increase, and the possibility of avoiding financial distress will reduce the investment risk for public investors. Companies with high intellectual capital show a positive signal for shareholders because companies are considered more reliable in encouraging the company's financial performance. A company with high cash flow is a positive signal for creditors because it is considered capable of paying off its obligations. Meanwhile, companies with high leverage levels show a negative signal for lenders because they risk experiencing financial distress. The independent commissioner variable, the signal theory also reveals that the higher the number of independent commissioners, the more positive the signal for shareholders because the better the oversight of the company, this can reduce the risk of financial distress.

Hypothesis Development

Financial distress can be interpreted as an initial stage for a company when it is experiencing bankruptcy due to its performance which gradually decreases in financial matters such as reduced performance due to internal problems, economic crises and unhealthy financial management to the point where the company experiences difficulties. This is very risky for the company if it reaches the stage of financial distress because it can experience bankruptcy as the final stage of its decline cycle. This can endanger the sustainability of the company, so it is essential to know the indicators that can have an influence on financial distress as a signal that the company is indicated to be an essential concern because it is related to the sustainability of the company [27].

The audit committee is part of a company's governance system whose job is to control and oversee the performance of company management [3]. Good corporate governance is a management system within a company that is in charge of controlling, regulating, and supervising related company mechanisms and stakeholders with the principles of openness, accountability, responsibility, independence and fairness, one of the elements in governance in a company is the audit committee where companies need a control and supervision system related to the management performance of a company that will be able to optimize the goals of the company [2].

With the audit committee, the company can avoid financial distress because it has good governance controlling its performance. The existence of the audit committee has a priority, especially in internal control, which can be managed through the presence of the audit committee so that the company's performance can increase and the company can generate optimal profits. The more the number of audit committees in a company, the lower the risk of financial distress because the more the intensity of the audit committee, the more effective it is expected to be in controlling the company's performance so that it has a positive impact on the company and can avoid financial distress. This is related to the disclosure of the signalling theory, namely, the more significant number of audit committees shows a positive signal for stakeholders because it is hoped that they can exchange ideas in deciding effective control and supervision for an internal company. Studies conducted by [28–31] state that audit committees have a negative effect on financial distress. This means that the higher the number of audit committee members, the lower the company's potential to experience financial distress.

H_1: The audit committee has a negative effect on Financial Distress.

Intellectual capital is intellectual knowledge which includes an intangible asset from human resources that can benefit the company's sustainability [14, 32]. If the company wants to have a small risk and avoid financial distress, then the company must have a high level of intangible resources in the form of intellectual capital. Company has adequate intellectual capital, the more influential the company is in managing financial performance, and it will add to the company's value as an effort to convince stakeholders. After all, intellectual capital can add value to a company that can attract many shareholders. Valuable capital in optimizing company profits, in this case, the signal theory reveals that a high level of intellectual capital in a company gives a positive signal to stakeholders because the company is considered to be able to improve its performance in managing its financial resources [2]. Research conducted by [11, 14, 16, 33, 34] state that intellectual capital has a negative effect on financial distress. Thus, if a company has good management and resources, in this case, it has good intellectual capital, it will support its financial management so that it is more effective and adds value to a company so that it will also be less for the company to be affected by financial distress.

H_2: ***Intellectual Capital has a negative effect on Financial Distress.***

Operating cash flow provides relevant information about a company's operational cash receipts and disbursements in a certain period by classifying transactions into operating, financing and investment activities [35]. Operating cash flow shows the company's operational performance in managing cash flow and generating profit. In its utilization, cash flow is more accurate than the balance sheet in reflecting the level of company liquidity because operating cash flow is the most liquid asset [5]. So if a company has good cash flow management, it is assumed to be able to finance its operational activities and pay off its debts to avoid the potential for experiencing financial distress [2]. Research conducted by [2, 5, 18, 36, 37] states that operating cash flow has a negative effect on financial distress. This means that a company that has a high level of operating cash flow, the lower it will experience an indication of financial distress.

H_3: Operating cash flow has a negative effect on financial distress.

By knowing the level of leverage, we can see how the story of a company's ability, whether it is able or not, to complete the affairs of the company's interests, in other words, financing the company's operational activities by utilizing its debt management. So that if the company has high obligations, the higher the burden on the company, the higher the risk of getting financial distress [17]. Based on the results of research conducted by [14, 17, 20, 21] stated that leverage has a positive effect on financial distress. The greater the level of debt owned by the company, the greater the risk of the company experiencing indications of financial distress.

H_4: ***Leverage has a positive effect on financial distress.***

The audit committee is part of the corporate governance system, which assists the duties of the board of commissioners. The existence of oversight from an independent commissioner of the board of commissioners supports the audit committee's success in improving company performance in line with the signal theory, which states that the better the company's performance, the smaller the risk of financial distress. The more the number of audit committees, the lower the risk of financial distress because it is hoped that they can exchange ideas so that financial performance increases [38].

H_5: Independent Commissioner moderates the Audit Committee on financial distress.

Intellectual capital as intellectual knowledge includes an intangible asset originating from human resources that can benefit the company's sustainability [6, 14]. The independent commissioner plays a role through supervisory activities in managing company resources so that the company has superior management and helps to minimize the risk of financial distress. This is inseparable from its relation to the role of independent commissioners in the internal company who have priority in carrying out their primary duties, namely carrying out adequate supervision so that management performance is well controlled to influence the management of financial resources to be more efficient in managing them to generate maximum profits.

H_6: Independent Commissioner moderates Intellectual Capital on Financial Distress.

In its utilization, cash flow is more accurate than the balance sheet in reflecting the level of company liquidity because operating cash flow is the most liquid asset [5]. So if a company has good cash flow management, it is assumed to be able to finance its operational activities and pay off its debts to avoid the potential for experiencing financial distress [2, 14]. Its relates to the function of the independent commissioner in supervising the board of directors to act in the interests of investors, with the role of the independent commissioner in the company's internal, which has the priority in carrying out its primary task, namely conducting adequate supervision so that management performance is well controlled so that it affects the management of operating cash flows. Efficient with maximum cash flow management, the company will be able to generate maximum profit and benefit the stakeholders.

H_7: Independent Commissioner moderates Operating Cash Flow against Financial Distress.

The high level of leverage owned by an issuer creates pressure on directors in handling the company's sustainability strategy and has an impact when decision-making becomes less effective [39]. In this regard, the need for supervision from an independent commissioner is controlled so that management performance is controlled to avoid financial distress. This is inseparable from its relation to the role of the independent commissioner in the internal company who has the priority in carrying out its primary task, namely carrying out adequate supervision so that management performance is well controlled so that it affects the company's ability to turn around debt so that it is efficient with sound debt management, the company will be able to produce a maximum profit so that it can finance the company's operational activities with optimal debt utilization.

H_8: Independent Commissioner moderates Leverage on Financial Distress.

3 Research Methods

This study uses a quantitative approach whose activities include numerical data collection, trend analysis, and comparing the relationships of the independent and dependent variables by utilizing statistical interpretation and comparing the results of previous studies [40]. This study uses a descriptive quantitative research model to see the relationship between variables to describe the population, an event or a situation. The unit of analysis for this research is the financial sector from 2017 to 2021, with 235 observations. The reason for choosing a financial company is because this sector is most affected by the Covid-19 pandemic after the transportation sector.

We assess whether the sector can survive in a pandemic condition and avoid financial distress. The sampling technique chosen was purposive sampling, namely with specific prerequisites. The criteria for selecting the sample are (1) Financial companies listed on the Indonesia Stock Exchange (IDX) in 2017–2021. (2) Financial sector companies that consistently publish financial reports and annual reports on the IDX website during 2017–2021. (3) Financial sector companies that present complete data according to the variables needed in the study. Secondary data sources include annual reports of financial sector companies published by the IDX on their websites and official websites of financial sector issuers for the 2017–2021 period. The data was then analyzed using descriptive statistical analysis techniques and multiple regression analysis using the SPSS 26 application.

Variable Measurement

The dependent variable in this study is financial distress. Until now, the Altman Z-Score model of financial distress measurement technique, which Edward Altman initiated, has gone through two developments, namely the revised Altman Z'-Score model and the modified Altman Z'-Score model [5]. The independent variables in this study consisted of the audit committee, intellectual capital, operating cash flow, and leverage with the independent commissioner as the moderating variable. This study uses several control variables: liquidity, solvency and market ratios. Variable measurement demostrated in Table 1.

In this study, hypothesis testing was carried out using the multiple linear regression analysis methods using the SPSS 26 computer system. The regression model in this study is as follows:

$$\mathrm{FD} = \boldsymbol{\alpha} + \boldsymbol{\beta_1}(\mathbf{AC})_{\mathbf{i,t}} + \boldsymbol{\beta_2}(\mathbf{IC})_{\mathbf{i,t}} + \boldsymbol{\beta_3}(\mathbf{AKO})_{\mathbf{i,t}} + \boldsymbol{\beta_4}(\mathbf{Lev})_{\mathbf{i,t}} - \boldsymbol{\varepsilon}$$

Description: FD is *financial distress*, AC is audit committee, IC is intellectual capital, OCF is operating cash flow, Lev is *leverage*, i financial sector company, t is period, β_1, β_2, β_3, and β_4 are coefficients of each independent variable used in the research model, $\boldsymbol{\alpha}$ is constant and ε is *error*.

4 Result and Discussion

The descriptive statistics of the variables used in this study are presented in the form of Table 2. Based on the descriptive statistical analysis in Table 2, the financial distress variable data has a broad distribution. It can be proven from the standard deviation value of 1.37955, which is greater than the average value of -0.3541, and the average financial sector company over the last few years has experienced many the phenomenon of relatively high financial distress can be proven by looking at the mean value, the range is close to the minimum value. Furthermore, the audit committee owns the low distribution of data, with a standard deviation value of 1.06610 below the average of 3.5404.

The audit committee in the sample company is relatively high. Then the wide distribution of data is owned by the intellectual capital variable, with a standard deviation value of 1.69735 and an average of -0.1535. The sample company has high intellectual

Table 1. Variable Measurement

Variable	Variable Measurement
Financial Distress	Z" = 6.56 $\mathbf{X_1}$ X_1 + 3.26 $\mathbf{X_2}$ X_2 + 6.72 $\mathbf{X_4}$ X_3 + 1.05 $\mathbf{X_5}$ X_4 Z" = Modified Altman Model (*Z"-Score)* $\mathbf{X_1}$ = *Working Capital/Total Asset* $\mathbf{X_2}$ = *Retained Earnings/Total Asset* $\mathbf{X_4}$ = *Earning Before Interest and Taxes/Total Asset* $\mathbf{X_5}$ = *Book Value of Equity/Book Value of Total Debt*
Audit Committee	Audit Committee = Number of Audit Committee in Period t
Intellectual Capital	Value Added Intellectual Capital = VE/CE + VA/HC + SC/VA VA = *Value Added* CE = *Capital Employed* HC = *Human Capital* SC = *Structural Capital* (*Value Added – Human Capital*)
Operating cash flow	Operating cash flow = total operating cash flow in period t
Leverage	*Debt to Asset Ratio* = total liability/total assets
Independent Commissioner	Independent Commissioner = (Total Board of Independent Commissioners)/(Total Board of Commissioners)
Likuiditas	Likuiditas (*Current Ratio*) = current assets/current liability
Solvabilitas	*Debt to Equity Ratio* = total liability/total equity
Earning Per Share	*Earning Per Share* = Total net profit/outstanding shares

capital to encourage company performance. Operating cash flow has a relatively low data distribution because the standard deviation value is 3.36386, which is smaller than the average value of 3.9301.

Leverage also has a standard data distribution because the standard deviation value is 0.97151, which is smaller than the average value of 1.0907. The average financial sector company in recent years has a high level of leverage. The liquidity variable has a broad data distribution, proven by the standard deviation value of 1.05278, which is greater than the average of 0.9662.

Solvency and market ratios have low data distribution, as seen from the standard deviation, which is smaller than the average. Independent commissioners have common data distribution, as evidenced by the average value of 0.3850 and standard deviation of 0.16278.

Based on the Table 3 presented regarding the results of the multiple linear regression test above, the hypothesis testing was carried out in two stages. The first stage is the direct calculation of the effect of the dependent variable on the independent variables consisting of financial distress on the audit committee, intellectual capital, operating cash flows and leverage. The second stage calculates the dependent variable to the autonomous with the independent commissioner as the moderating variable.

Table 2. Descriptive Statistical Test Results

Variable	Minimum	Maximum	Mean	Std. Deviation
Financial distress	-5.35	5.85	-0.3541	1.37955
Audit committee	1.00	8.00	3.5404	1.06610
Intellectual capital	-10.10	4.79	-0.1535	1.69735
Operating cash flow	0.00	9.46	3.9301	3.36386
Leverage	-0.70	2.87	1.0907	0.97151
Likuidity	-0.39	3.61	0.9662	1.05278
Solvency	-0.52	4.94	1.6613	1.18900
Earning per share	-1.70	4.61	1.3400	1.16650
Independent commissioner	0.10	0.78	0.3850	0.16278

Source: Data processed SPSS 26

Table 3. Multiple Linear Regression Test Results

Variable	Beta	Sig	R-Square
Audit committee (AC	0.109	0.047	0.730
Intellectual capital (IC)	0.013	0.007	
Operating cash flow (OCF)	-0.065	0.017	
Leverage (DAR)	-0.191	0.000	
Likuidity (DER)	0.545	0.007	
Solvency (CR)	0.045	0.023	
Earning per share (EPS)	0.074	0.403	
IC*AC	0.004	0.002	
IC*VAIC	0.032	0.048	
IC*OCF	0.217	0.000	
IC*DAR	1.602	0.037	
IC*CR	-1.054	0.044	
IC*DER	-0.818	0.006	
IC*EPS	0.041	0.934	

Source: Data processed SPSS 26

4.1 Effect of the Audit Committee on Financial Distress

An audit committee has a role in controlling and supervising the performance of the company's management. So that the more proportion of the audit committee in a company will improve the control system, and through an effective control system, the company can be protected from the threat of financial distress [3]. The existence of the audit committee has a priority, especially in internal control, which can be managed through the presence of the audit committee so that in terms of company performance, it can increase and the company can generate optimal profits with the presence of an audit committee with adequate performance for the benefit of the company.The results showed that the audit committee variable positively affected financial distress, because it had a sig of 0.047 below 0.05 with a positive beta value. It can be concluded that the lower the number of audit committee members, the smaller the potential for the company to be affected by financial distress. The study conducted [3, 41] states that companies must pay attention to the performance and effectiveness of an audit committee so that the functions of the audit committee can run optimally and that companies can avoid potential financial distress. Hence, there is a need to pay attention to aspects of integrity, competence and capability in selecting committee members [42, 43]. Audit to avoid the inability of audit committee personnel to carry out their duties and functions will affect the decline in company performance and potentially cause financial distress [44].

4.2 The Influence of Intellectual Capital on Financial Distress

Intellectual capital is one of the resources that play a role in increasing the company's competitive advantage [2]. Intellectual capital as intellectual knowledge includes an intangible asset from human resources that can be useful for the company's sustainability [14]. Intellectual capital is intellectual knowledge originating from human resources that can benefit the company's sustainability [14, 45, 46]. Intellectual capital can act as a consideration for predicting financial distress, and this is because intellectual capital can help manage the allocation of company-owned financial resources and invest them optimally [14]. The high level of intellectual capital owned is directly proportional to the company's competitive advantage in the form of added value that can prevent the company from financial distress. The results showed a significance of 0.007, below the standard error level of 0.05, with a positive beta value. Intellectual capital has a positive influence on financial distress, it can be concluded that the status of a company's intellectual capital is inversely proportional to the risk of financial distress. The results of this study support research [47, 48] which states that intellectual capital positively influences financial distress, it can be concluded that the greater the level of a company's intellectual capital, the smaller the risk of financial distress. The greater the intellectual capital of a company, it is assumed that the company has good management and resources to minimize the risk of being exposed to financial distress. Other research that states that intellectual has a positive effect explain that companies that are facilitated with high intellectual capital can help companies in terms of improving their performance by producing healthy companies in their financial management so that this can protect companies from the possibility of financial distress [11].

4.3 Effect of Operating Cash Flow on Financial Distress

Operating cash flow shows the company's operational performance in managing cash flow and generating profit. In its utilization, cash flow is more accurate than the balance sheet in reflecting the level of company liquidity because operating cash flows are among the most liquid assets [5]. So that if a company has good cash flow management, it is assumed to be able to finance its operational activities and pay off its debts to avoid the potential for experiencing financial distress [2]. The results show a significance of 0.017 where the value is smaller than the standard error level of 0.05, with a beta value of -0.065, operating cash flow has a negative impact on financial distress, so the hypothesis is accepted, which states that using cash flow has a negative effect on financial desperation. This shows that the greater the operating cash flow managed by a company, the greater the company's potential to avoid financial distress. The results of this study support several previous studies, including [10, 36, 49]. A study conducted by [2] states that this study's results align with the signal theory that companies with good performance will show positive signals for stakeholders through their financial statements. So that with optimal operating cash flow management, management aims to show stakeholders that the company's financial condition and performance are in healthy condition by having sufficient cash to finance company expenses and obligations billed to the company, the company will avoid potential losses—financial distress and bankruptcy.

4.4 Effect of Leverage on Financial Distress

By knowing the level of leverage, we can see how the level of ability of a company is able or not to complete the affairs of the company's interests, in other words, to finance the company's operational activities by utilizing its debt management. So that if the company has high obligations, the higher the burden that the company has, the higher the risk of experiencing financial distress [17]. The tests resulted in a significant leverage value of 0.000 with a negative beta value, so leverage is interpreted as negatively influencing financial distress. It is different from the hypothesis, which states that leverage positively affects financial distress. The higher the level of debt in a company indicates the more elevated the burden received by the company so that the company seeks operational performance more optimal to avoid the risk of financial distress. The results of this study support research [50] revealed that the higher the level of the company's dependence on debt, the lower the company's risk of being exposed to financial distress. The pressure due to the imposition of funds forces the company's operations to perform optimally to avoid financial distress. The study [10, 18, 28, 51–53] report the leverage ratio as a measuring tool for the number of company assets financed by the borrower or creditor.

4.5 Influence of the Audit Committee on Financial distress with Independent Commissioner as moderator

From the Table 3 presented, it can be seen that the audit committee on financial distress with the independent commissioner as the moderating variable shows a significance value of 0.002, where this significance level is smaller than the standard error significance level of 0.05 which means that influencing with a positive beta value means having a positive effect. Then it can be stated that the hypothesis is accept. It can be confirmed by the research results, which represent that the independent commissioner variable can be a moderator between the audit committee variables on financial distress, which strengthens the relationship between the dependent and independent variables, which can be seen from the positive beta value. The audit committee has a role in controlling and supervising the performance of company management. So more and more proportions of audit committees in a company will improve the control system and prevent the company from financial distress [3, 8, 54].

The existence of an audit committee has priority, especially in internal control, which can be managed through the presence of the audit committee so that in terms of company performance, it can also increase, and the company can generate optimal profits with the presence of an audit committee with adequate performance for the benefit of the company. adding a moderating variable that aims to strengthen the relationship between variables can be implemented, in this study the independent commissioner variable can enhance the relationship between the audit committee variable and financial distress. The study results show that the independent commissioner exerts influence or a moderating effect on the link between the audit committee and financial distress.

Control exercised by the board of directors' audit committee to minimise potential indications of financial distress [44, 55–57]. This is inseparable from its relation to the role of independent commissioners in the internal company who have priority in carrying out their primary duties, namely carrying out adequate supervision so that management performance is well controlled to influence governance control carried out by the audit committee so that the company can optimize its performance to maximize profits.

4.6 Influence of Intellectual Capital on Financial distress with Independent Commissioner as moderator

From the table presented, it can be seen that intellectual capital on financial distress with independent commissioners as moderation shows a significance value of 0.048, which is smaller than the standard error significance level of 0.05 with a positive beta value. Then it can be stated that the hypothesis is proven, and it can be confirmed by the results of research, which represent that the independent commissioner variable can moderate the intellectual capital variable on financial distress, reinforcing the dependent and independent variables. The conclusion is that adding a moderating variable that aims to strengthen the relationship between variables can be implemented in this study because the independent commissioner variable can enhance the influence of the relationship between intellectual capital variables on financial distress. This can be explained by having high intellectual capital, and the company is considered capable of managing financial resources to the maximum as well because, with efficient management of financial resources, the company can produce output in the form of added value that is beneficial to stakeholders and can avoid company risk. Exposed to financial distress [11] report the are inseparable from the relationship with the role of independent commissioners in the company's internal, which has the priority in carrying out its primary task, namely carrying out adequate supervision so that management performance is well controlled so that it affects the management of financial resources to be more efficient in its management to generate maximum profit.

4.7 Effect of Operating Cash Flow on Financial Distress with Independent Commissioner as moderator

From the table presented, it can be seen that operating cash flow in financial distress with an independent commissioner as moderation shows a significance value of 0.00, which is smaller than the standard error of 0.05 significance level with a positive beta value. Then it can be stated that the hypothesis is proven to be proven by the results of research, which represent that the independent commissioner variable can be a moderator between the operating cash flow variable and financial distress, reinforcing the dependent and independent variables. The conclusion is that adding a moderating variable that aims to strengthen the relationship between variables can be implemented in this study because the independent commissioner variable can enhance the influence of the relationship between operating cash flow variables on financial distress. The results showed that the independent commissioner moderated the relationship between operating cash flow and financial distress.

The higher the operating cash flow generated by the company, the smaller the potential for the company to experience financial distress. In its utilization, cash flow is more accurate than the balance sheet in reflecting the level of company liquidity because operating cash flows are among the most liquid assets [5, 23, 58]. So if a company has good cash flow management, it is assumed to be able to finance its operational activities and pay off its debts to avoid the potential for experiencing financial distress [2, 33]. This is inseparable from the relationship with the role of independent commissioners in the company's internal, which has the priority in carrying out its primary task, namely carrying out adequate supervision so that management performance is well controlled that it affects efficient operating cash flow management with maximum cash flow management, the company will be able to generate revenue. full profit and benefit the stakeholders.

4.8 Effect of Leverage on Financial Distress with Independent Commissioner as moderator

From the table presented, it can be seen that the leverage or level of debt of a company against financial distress with an independent commissioner as moderator shows a significance value of 0.037, which is smaller than the standard error significance level of 0.05 with a positive beta value. So it can be stated that the hypothesis is proven, and it can be confirmed by the research results, which represent that the independent commissioner variable can moderate the leverage variable on financial distress, which is strengthening between the dependent and independent variables. The conclusion is that adding a moderating variable that aims to improve the relationship between variables can be implemented in this study because the independent commissioner variable can strengthen the influence of the relationship between leverage variables on financial distress. By knowing the level of leverage, we can see how the story ability of a company is able or not to complete the affairs of the company's interests, in other words, to finance the company's operational activities by utilizing its debt management.

Company has high obligations, the higher the burden that the company has, the higher the risk of experiencing financial distress [17]. This shows that the higher the level of debt owned by the company, the company is considered to have the ability to manage debt properly to minimize the occurrence of financial distress. This is inseparable from its relation to the role of the independent commissioner in the internal company who has the priority in carrying out its primary task, namely carrying out adequate supervision so that management performance is well controlled so that it affects the company's ability to turn around debt so that it is efficient with good debt management, the company will be able to produce a maximum profit so that it can finance the company's operational activities with optimal debt utilization.

5 Conclusion

Based on the elaboration of the test results presented, it can be concluded that the audit committee and intellectual capital have a positive effect on financial distress while operating cash flow and leverage variables negatively impact financial distress. The results of adding the independent commissioner moderating variable in this study indicate that the independent commissioner can mediate the effect of the independent variables consisting of the audit committee, intellectual capital, operating cash flow and leverage on financial distress. Based on the results of the determination test shows that the R square value is 73.9% which explains that the independent variables used in the study can have an influence of 73.9% on the dependent variable, so the remaining 26.1% is influenced by variables not used in the study. The limitation of this research is that the research sample is still limited, so it is considered insufficient to represent all sectors affected by the Covid-19 pandemic because this research only researches Financial Sector companies listed on the Indonesia Stock Exchange. Therefore, it is hoped that future researchers can carry out more profound studies, such as conducting tests on other sectors affected by the Covid-19 pandemic in analyzing financial distress.

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