The Effectiveness of Good Corporate Governance Implementation Against Financial Distress Conditions With Intellectual Capital as Moderating Variable

ABSTRACT

Aims: This study aims to examine the effect of the implementation of good corporate governance on financial distress and examine the influence of Intellectual Capital as a moderating variable that can weaken or strengthen good corporate governance on financial distress. This research is expected to be used as a material for consideration in making company decisions as well as interested parties to be able to take preventive steps in dealing with severe conditions.
Study design: The method used is quantitative research with secondary data taken from the company's financial statements with data collection techniques using purposive sampling.
Place and Duration of Study: This study uses property companies listed on the Indonesia Stock Exchange during 2017-2020 as research objects. The number of samples is 90 samples using purposive sampling method.
Methodology: The data analysis method in this study uses SmartPLS software. The data analysis methods in this study are Descriptive Statistics, Descriptive Analysis and Inferential Statistical Analysis.
Results: Based on the results of the analysis, it is found that good corporate governance has no effect on financial distress, and good corporate governance moderated by intellectual capital has a negative effect on financial distress.

Keywords: good corporate governance, financial distress, intellectual capital

1. INTRODUCTION

Every company is founded with the hope that it will generate profits so that it can survive or develop in the long term and does not experience liquidity. But in reality, these assumptions do not always go well as expected. Often companies that have been operating for a certain period of time are forced to dissolve or be liquidated because they experience financial difficulties that lead to bankruptcy (Permana et al., 2017).

Companies that experience bankruptcy will begin with conditions where there is financial distress. Financial distress is an interesting topic in finance and financial health as an important indicator for users who are interested in knowing more about performance companies (Pernamasari et al., 2019). Information about financial distress is used by interested parties as an early warning of the problem. So that companies and interested parties can take anticipatory steps to face the worst conditions that threaten the survival of the company.

"Executive Director of the Indonesian Issuers Association (AEI) Samsul Hidayat assesses that the number of bankruptcy lawsuits experienced by issuers on the stock exchange is currently due to the impact of Covid-19. Many issuers have recorded a decline in performance to the point of losing money. So that they are unable to pay their obligations to creditors and consumers. Ozili (2020) exemplifies that the COVID-19 pandemic has affected the stock market in two ways. First, the pandemic forced the closure of businesses and companies, then affected financial markets. Second, uncertainty about the COVID-19 case also affects investors' investment decisions, which then causes volatility in the stock market. As a result, many firms experience liquidity problems regardless of size (Tashanova et al., 2020). In the study of Lee et al., (2020) The findings showed that higher numbers of COVID-19 cases in Malaysia tended to adversely affect the performance of the KLCI index and all sectorial indices, except for the Real Estate Investment Fund (REIT) index."

"The current condition of Indonesia is very prone to financial difficulties. CNBC Indonesia recorded several issuers on the Indonesia Stock Exchange (IDX) that were affected by the Covid-19 pandemic and affected employees' layoffs and laid off their staff, and cut their employees' salaries in order to survive. Many public companies have been sued for bankruptcy because their performance has decreased due to the covid-19 pandemic. This causes the company to be unable to pay its obligations to consumers or creditors."

"Meanwhile, CSA Research Institute analyst Reza Priyambada assessed that issuers who are involved in bankruptcy cases with their consumers will have a negative image in the eyes of investors and the public. And, it raises concerns for the parties who cooperate with the issuer. Sentul City, for example, companies that supply businesses such as cement, building tools and furniture will be worried, for fear of not being paid off. So far, according to Reza, issuers who have been involved in bankruptcy cases have not been able to pay their debts to consumers and creditors, nor are they able to finance the company's operations."

"There are four Issuers Sued for Bankruptcy According to data from the Indonesia Stock Exchange (IDX) as of August 10, 2020. Recently, the property company PT Sentul City Tbk (BKSL) was sued for bankruptcy by its consumers over the sale and purchase of a plot of land worth IDR 30 billion. According to the plaintiff's lawyer, his client did not want to make matters worse. If the land is not sold, the client only asks for the money that has been paid IDR 30 billion to be returned. However, Sentul City did not return the money on the grounds that the company's cash flow was being disrupted due to the pandemic. Three other issuers who were also sued for bankruptcy so that they received a special notation 'B', namely PT Cowell Development Tbk (COWL), PT Global Mediacom Tbk (BMTR), and PT Golden Plantation Tbk (GOLL).

According to the Minister of Finance Sri Mulyani Indrawati who was reported by the internet media (Finance.detik.com, 2018) stated the importance of companies building foundations and corporate governance. To minimize this, the company must implement corporate governance. According to the Indonesian Institute of Corporate Governance (IICG), corporate governance is a set of tools that direct and control the running of the company by taking into account the interests of various parties involved in the company. Corporate governance aims to create added value for all stakeholders, so that there is no conflict between the agent and the principal which has an impact on reducing agency costs (Santoso, 2017). These differences in interests can cause shareholders (principals) to suffer losses as a result of actions taken by managers (agents) which have an impact on the company's financial performance which will cause the company to experience financial distress, with good governance it is less likely that the company will experience financial distress."

Based on Law No. 40 of 2004 concerning limited liability companies, public companies are required to report on corporate governance that has been carried out by the company. This gives rise to transparency regarding the implementation of good corporate governance by companies. The structure and mechanism for implementing corporate governance can improve the quality, supervision, and investment performance in an intellectual capital (Indah & Handayani, 2017). Intellectual capital has an influence on improving the performance of a company. Where the management of intellectual capital is getting better, resulting in the company's performance will also be considered good and if the management of intellectual capital is not going well, it will result in the company's performance being considered poor so that it will be seen that the resources in the company are experiencing a decline in performance. A decrease in performance will lead to a company's profit which can be seen in the financial statements. This will have an impact on the possibility of financial distress in a company (Mustika & et. al, 2018).

Therefore, this study discusses the Effectiveness of Good Corporate Governance Implementation Against Financial Distress Conditions with Intellectual Capital as a Moderating Variable in property companies listed on the Indonesia Stock Exchange. The main objective of this study is to analyze how effective the implementation of good corporate governance moderated by intellectual capital is on financial distress conditions. The results of this study are also expected to help management and investors understand the effectiveness of the implementation of good corporate governance moderated by intellectual capital on financial distree conditions in property companies going public in Indonesia. Meanwhile, by providing empirical evidence, the findings of this study can also be used as guidelines for further research.

2. LITERATURE REVIEW

2.1Financial Distress

According to Platt & Platt (2002) financial distress is the stage of decline in financial conditions that occurred before the occurrence of bankruptcy. Information about financial distress is used by interested parties as an early warning (warning) of the problem. So that companies and interested parties can take anticipatory steps to deal with the worst of the worst living conditions (Widhiari & Aryani Merkusiwati, 2015).

There are several bankruptcy prediction models that are quite popular which are often used by researchers including G-Score by Grover, Y-Score by Ohlson, X-Score by Zmijewski, S-Score by Springate and Z-Score by Altman. In this study using the Altman Z-Score model because the Atman Z-Score model is the best model in predicting the level of bankruptcy risk and can be applied to all companies, both private companies, manufacturing companies and non-manufacturing companies. This is in line with the research of Hadi & Anggraeni (2008) which states that the Altman model is the best predictor among the three predictors analyzed, namely the Springate Model, Zmijewski Model and Altman Model.

The advantage with Z-Score analysis is that by knowing the Z value of a company, the condition of the company can be known. In addition, if the Z value of a company is included in the category of bankrupt or critically vulnerable, then the company can still improve the company's financial condition immediately. So by knowing this Z value, the possibility of bankruptcy can be anticipated as early as possible.

Altman formed 3 Z Score formulas where the three formulas are intended for 3 different categories of companies, namely for open manufacturing companies, closed companies,

and for non-manufacturing public companies. This study uses the Altman zscore model for public manufacturing companies as in the research of Pernamasari et al. (2019). Where the shares or stock of a company are traded openly or listed on the stock exchange. The formula used is as follows (Pernamasari et al.,2019).:

Z = 1.2 (X1) + 1.4 (X2) + 3.3 (X3) + 0.6 (X4) + 1.0 (X5)

Where:

Z = Bankruptcy Index

X1 = Working Capital/Total Assets

X2 = Retained Earnings/Total Assets

X3 = Earnings Before Interest and Taxes/Total Assets

X4 = Market Value of Equity/Book Value of Debt

X5 = Sales/Total Assets

Condition Score >2.99 Not Bankrupt, 1.81 – 2.99 Gray Area, <1.81 Bankrupt

These variables include:

1. Working Capital to Total Assets. Working capital to total assets is used to measure the level of liquidity by comparing net current assets with total assets. The amount of working capital is by subtracting current assets with current liabilities."
2. "Retained Earnings to Total Assets. Retained earnings to total assets are used to measure cumulative profitability by comparing retained earnings to total assets.
3. Earnings Before Interest and Tax to Total Assets. Income before tax and interest on total assets is used to measure the actual productivity of the company's assets by comparing earnings before interest and taxes with total assets.
4. Market Value Equity to Book Value of Total Debt. The market value of equity against the book value of debt is used to measure how much the company's assets can decrease in value before the amount of debt is greater than its assets and the company goes bankrupt by comparing the market value of equity with the book value of debt. The amount of MVE is by multiplying the closing price of the shares at the end of the year by the number of shares outstanding at the end of the year.
5. Sales to Total Assets. The capital turnover ratio is a standard financial ratio that describes the ability to generate sales of company assets. This is one measure of management's ability to face competitive conditions.

2.2Good Corporate Governance

Corporate Governance (CG) is that explains the relationship between various participants in the company that determines the direction and performance of the company (Monks & Minow, 2001, in (Wardhani, 2007)). Since the economic crisis hit Indonesia in 1997, good corporate governance has become increasingly important as a support for the sustainability of the company's business.

According to The Indonesian Institute for Corporate Governance (IICG) 2015, good corporate governance is a structure, system, and process used by companies as an effort to add value to the company. GCG is carried out continuously in the long term while taking into account the interests of other stakeholders based on morals, ethics, culture, and other applicable rules.

According to the General Guidelines for Good Corporate Governance in Indonesia issued by the National Committee on Governance Policy (2006), the implementation of GCG encourages the creation of healthy competition and a conducive business climate. Therefore, the implementation of GCG by companies in Indonesia is very important to support sustainable economic growth and stability. The implementation of GCG is also expected to support the government's efforts to enforce good governance in general in

Indonesia. Currently, the Government is trying to implement good governance in its bureaucracy in order to create a clean and authoritative government.

In this study (GCG) is calculated using the governance index method. The method used to create a corporate governance disclosure index is to apply an unweighted index using a dichotomous value, namely a value of 1 for items that are disclosed and a value of 0 for items that are not disclosed (Bhuiyan & Biswas, 2007).

$$\text{GCGIndex} = \frac{\text{Total CG Disclosure Item Score}}{\text{CG Disclosure Item Maximum Score}}$$

2.3Intellectual Capital

According to Lestari (2016) Intellectual capital is information and knowledge that can be applied to a job to create value within the company. The International Federation of Accountants classifies intellectual capital into three components, namely, human capital, relational capital, and organizational capital (Mustika & et. al, 2018). The first component, human capital (HC) is the most important component in a company. HC is the lifeblood of intellectual capital in which there are sources of innovation and improvement. Because in it there are knowledge, skills, and competencies possessed by company employees. HC can increase if the company can utilize and develop the knowledge, competence, and skills of its employees efficiently. The second component, structural capital (SC) is the ability of an organization or company to fulfill the company's routine processes and structures that support employees' efforts to produce optimal intellectual performance and overall business performance. The third component, relational capital (RC) or customer capital (CC) is a harmonious association network relationship owned by the company and its partners, both from suppliers, customers, as well as the government and the community. Relational capital can arise from various parts outside the company's environment that can add value to the company.

The measurement of intellectual capital variable can be calculated by the following measurements:

Value Added Intellectual Capital:

The value added intellectual coefficient (VAICTM) method was developed by Pulic in 1998 which is designed to present the formation of value creation efficiency from the tangible assets (tangible assets) and intangible assets (intangible assets) owned by the company. VAIC is an instrument to measure intellectual performance in a company and has the advantage because the data required is relatively easy from various company sources.

VAIC calculation begins with the company's ability to create value added (VA). VA is the most objective indicator to assess the company's success in running its business and shows the company's ability to create value (Artati, 2017). Value added is calculated by the difference in output minus inputs, where output is the total income that includes all products and services sold in the market, and inputs are all expenses used to earn income (except employee expenses).

"The VAIC method uses three value added indicators, namely Value Added Human Capital (VACA), Value Added Structural Capital (STVA) and Value Added Capital Employed (VACA).

VAICTM can be calculated by the following formula (Purba & Muslih, 2018):

VAICTM = VACA + VAHU + STVA

Intellectual Capital based on the VAIC model can be classified into 4 categories, namely (Purba & Muslih, 2018):

1. Top performers – VAICTM score above 3
2. Good performers – VAICTM score between 2.0 to 2.99

3. Common performers – VAICTM score between 1.5 to 1.99
4. Bad performers – VAICTM score below 1.5

Value Added Human Capital (VAHU)

Value Added Human Capital is an indicator of the efficiency of value added human capital. VAHU is the ratio of Value Added (VA) to Human Capital (HC). Human capital includes resources within the company's organization. Human Capital describes the ability of a company to manage human resources with all the knowledge they have (Artati, 2017).

VAHU can be calculated by the following formula:

$$VAHU = \frac{VA}{HC}$$

Information:
VAHU = Value Added Human Capital
VA = Value Added
HC = Human Capital (Employee Expenses)

Value Added Capital Employed (VACA)

VACA is an indicator that VA is created by one unit of physical capital. VACA is the ratio of Value Added (VA) to Capital Employed. Capital employed is the book value of the company's total assets. VACA is a company's ability to manage resources in the form of capital assets which if managed properly will improve company performance. In other words, VACA can show how successful a company is in using its tangible assets.

VACA can be calculated by the following formula:

$$VACA = \frac{VA}{CA}$$

Information :
VACA = Value Added Capital Employed
VA = Value Added
CA = Capital Employed (Available funds: Equity and net income)

Value Added Structural Capital (STVA)

Value Added Structural Capital is an indicator of the efficiency of added value from structural capital. Value Added Structural Capital is the ratio of Structural Capital to Value Added. Structural capital is the ability of an organization or company to fulfill the company's routine processes and structures that support employees' efforts to produce optimal intellectual performance and overall business performance. In other words, Value Added Structural Capital measures the amount of Structural Capital needed to generate 1 rupiah of Value Added and is an indicator of how successful Structural Capital is in creating value. Structural Capital can be calculated between the difference between Value Added and Human Capital.

STVA can be calculated by the following formula:

$$STVA = \frac{SC}{VA}$$

Information:
STVA = Value Added Structural Capital
SC = Structural Capital (Value Added – Human Capital)
VA = Value Added

2.4 Hypothesis Development

1) The Effect of Corporate Governance on Financial Distress

Corporate governance aims to create added value for all stakeholders, so that there is no conflict between the agent and the principal which has an impact on reducing agency costs (Santoso et al., 2017). The difference in interests can cause the shareholders (principals) to suffer losses as a result of actions taken by the manager (agent) which have an impact on the company's financial performance which will cause the company to experience financial distress.

The implementation of corporate governance means that it is considered capable of increasing supervision of management to encourage effective decision making, preventing opportunistic actions that are not in accordance with the interests of the company, and reducing information asymmetry between management, shareholders, and creditors. Companies must implement good corporate governance in their management, with good governance the company will be less likely to experience financial distress. This is in line with the research of Pamungkas & Joshua (2019) which states that the implementation of good corporate governance has an effect on the company's financial distress condition.

The following hypotheses are proposed are:
H1: Good Corporate Governance has an effect on Financial Distress.

2) The influence of Intellectual Capital as a moderating variable on the relationship between good corporate governance and financial distress

Intellectual capital has an influence on improving the performance of a company. Where the management of intellectual capital is getting better, resulting in the company's performance will also be considered good and if the management of intellectual capital is not going well, it will result in the company's performance being considered poor so that it will be seen that the resources in the company are experiencing a decline in performance. A decrease in performance will lead to a company's profit which can be seen in the financial statements. This will have an impact on the possibility of financial distress in a company (Mustika & et. al, 2018).

The results of the research by Widhiadnyana & Dwi Ratnadi (2019) stated that intellectual capital has a negative effect on financial distress, which means that if the company's intellectual capital increases, the company will avoid financial distress.

The following hypotheses are proposed are:
H2: Intellectual Capital as a moderating variable can strengthen the influence of good corporate governance on Financial Distress.

Based on the description that has been put forward in the development of hypotheses and theoretical foundations, the related variables in this study can be formulated through a framework of thought as follows:

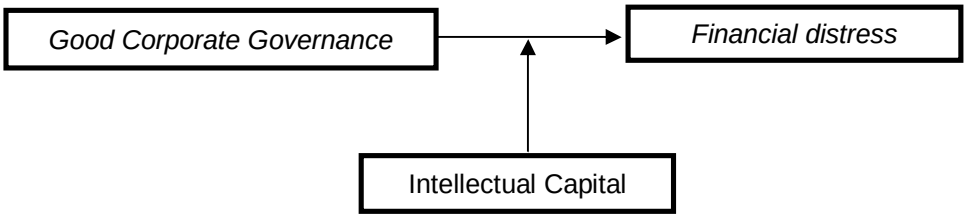

Figure 1. Framework of Thought

3. RESEARCH METHOD

3.1 Definition and Operationalization of Variables

According to Sekaran and Bougie (2013). A variable is anything that can take different things or varying values. Values can be different at the same time for the same object or person or at the same time for different objects or people. This study uses three types of variables, namely the independent variable which is indicated by the symbol X, the the dependent variable which is indicated by the symbol Y, and the moderating variable which is indicated by the symbol Z.

1) Dependent variable

The dependent variable in this study is financial distress. Financial distress in this study uses the Altman zscore model for publicly listed companies as in the research of Pernamasari et al. (2019). Where the shares or stock of a company are traded openly or listed on the stock exchange. The formula used is as follows:

Z = 1.2 (X1) + 1.4 (X2) + 3.3 (X3) + 0.6 (X4) + 1.0 (X5)

Where:

Z = Bankruptcy Index

X1 = Working Capital/Total Assets

X2 = Retained Earnings/Total Assets

X3 = Earnings Before Interest and Taxes/Total Assets

X4 = Market Value of Equity/Book Value of Debt

X5 = Sales/Total Assets

2) Independent Variable

The independent variable in this study is good corporate governance. To determine the quality of corporate governance (CG) in this study using the CG index. The CG Index is an assessment of the implementation of CG in a company that measures the specified CG aspects (Nengzih, 2017).

Table 1 Variability in parameters with their disclosure items

No	Point Items	Disclosure Items
1	Shareholders	1. Description of shareholder rights
		2. A statement regarding the guarantee of the protection of the rights of shareholders, equal treatment of all shareholders
		3. RUPS implementation date
		4. RUPS results
2	Board of Commissioners	1. The names of the board of commissioners
		2. Status of each member (independent commissioner or non-independent commissioner)
		3. Board of commissioners educational background and career
		4. Description of the duties and responsibilities of the board of commissioners
		5. Policy and amount of remuneration for members of the board of commissioners
		6. Mechanism and criteria for self-assessment on the performance of each member of the board of commissioners

		7. Number of meetings held
		8. The number of attendance of each member of the board of commissioners in the meeting
		9. Decision-making mechanism
		10. Board of commissioners training program
3	Board of Directors	1. The names of the members of the board of directors with their respective positions and functions
		2. Description of the duties and responsibilities of the board of directors
		3. Educational background and career of members of the board of directors
		4. The scope of work and responsibilities of each member of the board of directors. Brief explanation of the working mechanism of the board of directors
		5. Decision-making mechanism
		6. Mechanism for delegation of authority
		7. Policies and amount of remuneration for members of the board of directors
		8. Number of meetings held by the board of directors
		9. The number of attendance of each member of the board of directors in the meeting
		10. Mechanism and criteria for evaluating the performance of the members of the board of directors
		11. Training programs in order to improve the competence of directors

Source: Nengzih (2017).

Based on the research of Bhuiyan & Biswas (2007), the corporate governance disclosure index in the company's annual report can be calculated by the following formula:

$$GCGIndex = \frac{\text{Total CG Disclosure Item Score}}{\text{CG Disclosure Item Maximum Score}}$$

3) Moderating Variables

The moderating variable in this study is Intellectual Capital. Intellectual capital is an intangible asset that comes from human resources that are dynamic and always changing according to situations and conditions and cannot be measured (Purba & Muslih, 2018). In this study, Intellectual capital is calculated using the Value Added Intellectual Capital (VAIC) formula. VAIC can be calculated by how the ability to be able to create value added (VA) for the company. Value Added (VA) is an indicator to see the company's ability to create added value for the company and can also be used to assess business success within the company. Value added is calculated by the difference in output minus inputs, where output is the total income that includes all products and services sold in the market, and inputs are all expenses used to earn income (except employee expenses). The VAIC method consists of three value-added indicators, namely Value Added Human Capital (VAHU), Value Added Structural Capital (STVA), and Value Added Capital Employed (VACA).

VAICTM can be calculated by the following formula (Purba & Muslih, 2018):

$$VAICTM = VACA + VAHU + STVA$$

3.2 Population and Research Sample

The population of this study are companies listed on the Indonesia Stock Exchange. The samples used in this study are property companies listed on the Indonesia Stock Exchange during 2017-2020. The sampling method used is purposive sampling, namely sampling based on the company's criteria as follows:

1. Property companies listed on the Indonesia Stock Exchange
2. Companies that are consistently listed on the Indonesia Stock Exchange in 2017-2020.
3. Companies that have the data needed during the research.

Table 2 Sample Selection Criteria

No.	Criteria	Total
1	Property companies listed on the Indonesia Stock Exchange (IDX)	83
2	Property companies that were IPO and delisted during the research year (2017-2020)	(34)
3	Companies that do not have the required data during the study period	(16)
	Total Sample	33
	Year of Research	4
	Total Data	132

Source: Procesed Data (2022)

3.3 Analysis Method

The analytical method used is a quantitative method, namely the approach to data processing through statistical or mathematical methods collected from secondary data. It is hoped that the conclusions obtained in a study will be more measurable and comprehensive.

The data analysis method in this study uses SmartPLS software which is run with computer media. PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model. The measurement model is used to test the validity and reliability, while the structural model is used to test causality (testing hypotheses with predictive models).

Ghozali (2015) explains that PLS is an analytical method that is soft modeling because it does not assume the data must be with a certain scale measurement. The basic difference between PLS, which is a variant-based SEM, and LISREL or AMOS, which is covariance-based, is the purpose of its use. PLS is able to avoid two major problems faced by covariance based SEM, namely inadmissible solutions and factor indeterminacy. There are several reasons why PLS is used in a study. In this study, the reasons are: first, PLS (Partial Least Square) is a data analysis method that is soft modeling because it does not assume that the data must be measured at a certain scale. Second, PLS (Partial Least Square) can be used to analyze theories that are still said to be weak, because PLS (Partial Least Square) can be used for predictions. Third, PLS (Partial Least Square) allows the algorithm to use series ordinary least square (OLS) analysis so that the efficiency of the calculation of the algorithms is obtained. Fourth, in the PLS approach, it is assumed that all measures of variance can be used to explain. The data analysis method in this study is divided into two, namely:

1. Descriptive Statistics Descriptive analysis

Empirical analysis is descriptive of the information obtained to provide an overview/describe about an event (who/what, when, where, how, how much) collected in the study. The data comes from the answers given by the respondents to the items contained in the questionnaire. Furthermore, the researcher will process the existing data by grouping and tabulating then giving an explanation.

2. Inferential Statistical Analysis.

In accordance with the formulated hypothesis, in this study the analysis of inferential statistical data was measured using the SmartPLS (Partial Least Square) software starting

from the measurement model (outer model), model structure (inner model) and hypothesis testing.

According to Hair et.al. (2006) this method is appropriate for data reduction, namely determining the minimum number of factors needed to calculate the maximum portion of the total variance represented in the original set of variables. This method is used with the assumption that the researcher knows that the number of unique variants and the error variance in the total variance is small. This method is superior because it can overcome the problem of indeterminacy, ie different factor scores are calculated from the resulting single factor model and acceptable data, namely data ambiguity due to unique variances and error variances.

This study uses latent variables with formative indicator models. Constructs with formative indicators assume that each indicator defines or explains the characteristics of its construct domain, namely indicators to constructs. The measurement error is shown in the construct not on the indicator so that testing the validity and reliability of the construct is not needed (Ghozali, 2015).

4. RESULTS AND DISCUSSION

1.1 Result

4.1.1 Descriptive Test

The results of descriptive statistical tests from this study are as follows:

Table 3 Descriptive Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FINDIS	132	-.6757	16.0104	2.247378	2.4789286
IC	132	-12.7841	60.6197	7.985154	9.2850195
GCG	132	.4000	.9600	.764848	.1286957
Valid N (listwise)	132				

The table above shows the results of descriptive statistical analysis of each research variable which can be concluded that the data processed in this study were 132 samples (N = 132).

Below is a description of the research variables from the statistical descriptive results

1. Financial Distress has a minimum value of -0.6757 which is owned by PT. Modernland Realty Tbk in 2020. This means that PT. Modernland Realty Tbk has the potential to experience financial distress due to the z-score value for that year <1.81. The maximum value of 16.0104 is owned by PT Puradelta Lestari Tbk. 2018. This means that in 2018 PT Puradelta Lestari Tbk. classified as a company that has no potential for bankruptcy because the z-score in that year is >2.99. The mean (mean) z-score is 2.247378 and the standard deviation is 2.24789286.

2. Intellectual capital data using vaictm measurement has a minimum value of -12.7841 which is owned by PT. Lippo Cikarang Tbk in 2020. This means the value of Value Added Human Capital (VAHU), Value Added Structural Capital (STVA), and Value Added Capital Employed (VACA) by PT. Lippo Cikarang Tbk in 2020 experienced -1278.41%. The maximum value of 60.6197 is owned by PT PP Property Tbk in 2017. This means the value of Value Added Human Capital (VAHU), Value Added Structural Capital (STVA), and Value Added Capital Employed (VACA) by PT Fortune Mate Indonesia Tbk in 2016 worth 6061.97%. The mean value (mean) of vaictm is 7.985154 and the standard deviation is 9.2850195.

3. Good Corporate Governance has a minimum value of 0.40 which is owned by PT. Modernland Realty Tbk in 2020. This means that PT. Modernland Realty Tbk has the potential to experience financial distress due to the z-score value for that year <1.81. The maximum value of 16.0104 is owned by PT Puradelta Lestari Tbk. 2018. This means that in 2018 PT Puradelta Lestari Tbk. classified as a company that has no potential for bankruptcy because the z-score in that year is >2.99. The mean (mean) z-score is 2.247378 and the standard deviation is 2.24789286.

4.1.2 Evaluation of Measurement Model

In this study, hypothesis testing using the Partial Least Square (PLS) analysis technique with the SmartPLS 3.0 program, the following are the results of the schematic model of the PLS program tested:

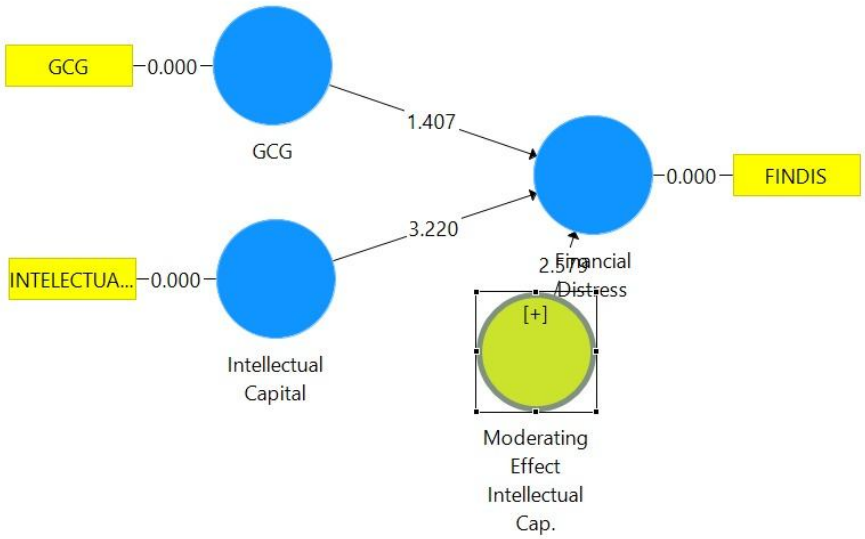

Figure 2. Loading Factor

The loading factor describes how much the indicators relate to each construct. The path chart above shows that all indicators are valid. These results indicate that there is a good correlation between the indicators and each construct.

4.1.3 Structural Model Evaluation

After checking the measurement model, the next step is to examine the structural model. This examination includes the significance of the path relationship and the value of R Square (R2) to see the results of the evaluation of the structural model. The value of R2 aims to determine how much the independent variable affects the dependent variable. The value of R2 can be seen from table 4:

Table 4. R Square

	R Square	R Square Adjusted
Financial Distress	0.114	0.091

Source: SmartPLS 3.0 data Data Processing

The value of R Square (R2) of 0.114 means that the variability of the financial distress construct can be explained by the construct of good corporate governance and intellectual capital of 11.4%. While 88.6% is explained by other variables not included in this study.

4.1.4Hypotesis Test Results

Table 5. Path Coefficient Value (Mean, STDEV, T-Values, P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
GCG -> FD	-0.161	-0.158	0.115	1.407	**0.160**
IC -> FD	0.712	0.678	0.221	3.220	**0.001**
Moderating Effect IC -> FD	-0.478	-0.449	0.185	2.579	**0.010**

Source: SmartPLS 3.0 data Data Processing

Based on the table above, the results can be used to answer the hypothesis in this study. Hypothesis testing in this study was carried out by looking at the T-Statistic value > 1.96 and the P value < 0.05. So it can be seen that the relationship test between constructs shows that good corporate governance has no effect on the z-score value, and good corporate governance moderated by intellectual capital has a negative effect on the z-score value.

1.2 Discussion

1. The Effect of Good Corporate Governance on Financial Distress

The results of the hypothesis test show that good corporate governance has no effect on the zscore value. This means that the higher or lower the implementation of corporate governance in the company does not have an influence on the risk of financial distress. The implementation of corporate governance in property companies has not been considered able to improve management supervision to encourage effective decision making, prevent opportunistic actions that are not in accordance with the company's interests, and reduce information asymmetry between management, shareholders, and creditors. This is possible because the implementation of GCG is only a form of formality as a manifestation of compliance with applicable regulations. This result is in line with the research of Widhiastuti et al., (2019) which found that good corporate governance has no effect on financial distress. To avoid the risk of financial distress, it is not only the implementation of good corporate governance, it must be balanced with others.

2. The influence of Intellectual Capital as a moderating variable on the relationship between good corporate governance and financial distress

The results of the hypothesis test show that good corporate governance moderated by Intellectual Capital has a negative effect on financial distress. This means that the higher the implementation of corporate governance balanced with good intellectual capital in the company will reduce the risk of bankruptcy. Optimal implementation of corporate governance will be able to improve the company's performance so that the occurrence of financial distress can be minimized. The corporate governance mechanism can minimize conflicts of interest which, according to agency theory, arise as a result of the separation of interests between the principal and the agent. Good intellectual capital management results in the company's performance will also be assessed as good, the increase in performance will lead to a company's profit which can be seen in the financial statements. This will have an impact on the lower risk of the possibility of financial distress in a company. These results are in line with the research conducted by Yuliani & Rahmatiasari (2021).

5. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

Based on the results of the analysis and discussion described in the previous chapter, the conclusions of this study are as follows:

1. Good corporate governance has no effect on Financial Distress. This means that the higher or lower the implementation of corporate governance in the company does not have an influence on the risk of financial distress.

2. Good corporate governance moderated by intellectual capital has a negative effect on financial distress. This means that the higher the implementation of corporate governance balanced with good intellectual capital in the company will reduce the risk of financial distress.

5.2 Suggestions

In the research that has been done, there are still some limitations. Based on the results of the conclusions, the suggestions that can be given include:

1. For further researchers, because the results of research on the good corporate governance variable show that the company does not experience an influence on financial distress on the sample that has been carried out, it is recommended to retest with another sample because it is not in accordance with the applicable theory.

2. Property companies are expected to pay attention to factors that can cause company financial distress, so that if there are indications that the company is experiencing financial distress, the company can quickly take action to improve the company's financial condition.

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