

The Role of Intellectual Capital in Moderating the Effect of Operating Cash Ratio and Leverage on Financial Distress*

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Abstract. This study aims to analyze the direct and indirect effects of the operating cash ratio and leverage on financial distress with intellectual capital as a moderating variable. This study uses 240 analysis units from 48 property and real estate companies listed on the Indonesia Stock Exchange for 2018-2022. Data analysis uses descriptive statistical analysis and moderated regression analysis. The results of the study show that the operating cash ratio has a negative effect on financial distress. Leverage proxied by DAR has a positive impact on financial distress. Intellectual capital cannot moderate the negative effect of the operating cash ratio on financial distress but can weaken the positive impact of leverage on financial distress. This study provides implications for company management to pay attention to the management of the operating cash ratio and leverage, as well as ensuring that the utilization of intellectual capital functions optimally to reduce the risk of financial distress.

Keywords: Financial distress, Operating Cash ratio, Leverage, Intellectual capital

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Introduction

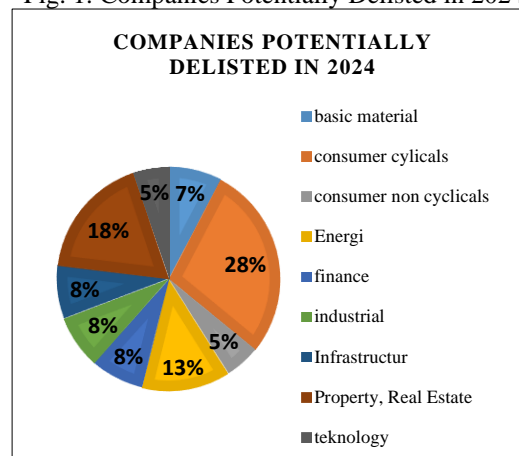
The property sector is a central foundation for economic development in a country. This is due to its ability to create new jobs, encourage infrastructure progress, and facilitate economic activities and community investment (Boubaker et al., 2020). The property sector is vulnerable to financial difficulties and economic crises that can affect many companies, investors, and even the entire economic condition of a country (Geng et al., 2015).

One indicator of financial difficulties a company faces is often known as financial distress. Financial distress is a stage where a company's financial condition declines before reaching bankruptcy or being unable to meet its liquidity obligations (Handayani et al., 2019). Financial distress is triggered by the company's inability to meet its payment obligations that are due and occurs when management is unable to overcome the decline in income or cash flow that has the potential to lead to bankruptcy (Nathania, 2022).

According to Fahmi (2011), financial distress is divided into four categories. First, mild, temporary distress due to external factors or inappropriate management decisions. Second, moderate distress requires policy reorganization and recruitment of experts to save the company. Third, severe distress requires strategic options such as asset sales, mergers, acquisitions, and layoffs to keep the company going concern. Fourth, extreme distress on the verge of bankruptcy that requires court intervention.

Several issuers on the Indonesia Stock Exchange (IDX) are reported to be experiencing financial distress or financial difficulties. According to Platt & Platt (2002), financial distress arises before a company's bankruptcy or liquidation is marked by its inability to pay its financial obligations. Figure

Fig. 1. Companies Potentially Delisted in 2024



Source: Processed Secondary Data, 2024

Based on Figure 1 data from the IDX in 2022, companies that have the potential to be delisted in 2023 in the property and real estate sector are 18% of the total data of companies that have the potential to be delisted throughout 2023. This figure is the second highest after the consumer cyclical sector at 28%. The energy sector follows this at 13%, and the finance, industrial, and infrastructure sectors at 8%. The property and real estate sectors are sectors that must be watched out for, and it is essential to analyze the sustainability of issuers' businesses in this sector.

Property companies are one of the sectors that have experienced many delisting from the Indonesia Stock Exchange (IDX) in recent years. Based on IDX data, there were at least 12 property issuers that were delisted in the period from 2015 to the first semester of 2022. This number reaches around 17% of the total property sector issuers listed on the IDX. Financial difficulties due to the sluggish national property market have also driven the spike in delisting cases in this sector.

The phenomenon in China has resulted in the property and real estate sector index (IDXPROPERT) being the lowest in the August 2023 evaluation. According to data from the Indonesia Stock Exchange (IDX), IDXPROPERT fell 0.89% to 749.32. Among them are PT Intiland Development Tbk (DILD) shares at -5.66% and PT Agung Podomoro Land Tbk (APLN) at 3.25%. Negative sentiment from Chinese property companies in debt has affected property sector shares in Indonesia.

Financial difficulties in Indonesia are also experienced by the bankrupt property developer company PT Forza Land Indonesia Tbk. PT Forza Land Indonesia has been suspended in the regular and

cash markets for 12 months, and the suspension period will reach 24 months on August 30, 2023. The financial report on performance in the third quarter of 2020 showed that FORZ still has outstanding obligations with a total debt of IDR 305 billion and IDR 596.7 billion. The last annual report for 2020 stated that it would focus on completing existing projects. (Setiawati, 2023).

Financial distress can be a negative signal for users of financial information when making decisions. Meanwhile, for management, financial distress is a signal for improving performance to avoid bankruptcy. Signaling Theory was first introduced by Spence in 1973. This theory explains that the sender (owner of information) conveys relevant company information to the recipient through signals. Phan et al. (2022) explain that companies send information to external parties as a positive signal because information can be an essential factor for investors as a picture of the company's condition, past, and future.

Based on the research gap from previous research, some variables still show contradictory results, including the operating cash ratio and leverage. The operating cash ratio is the company's ability to generate cash from operations to generate sufficient cash flow to meet short-term obligations and help predict financial distress. In the context of signaling theory, companies with a high operating cash ratio can provide a positive signal to investors that the company has good liquidity and can meet its short-term obligations. Conversely, a low operating cash ratio can negatively signal the company's financial health.

Research conducted by Amanda & Tasman (2019); Finishtya (2019); dan Ramadhani & Nisa (2019) stated that the operating cash ratio has a positive effect on financial distress. A high risk of financial distress will follow companies with a high operating cash ratio. Adityatama & Hermi (2023); Mondayri & Tresnajaya (2022); Radiansyah (2013) stated that the operating cash ratio has a negative effect on financial distress. This study contradicts research by Fitri & Dillak (2020); Utami (2021), which had results that did not affect financial distress. The high or low operating cash ratio does not affect financial distress.

Leverage is chosen to determine the ability of the company's assets to be financed by debt, which can predict the company's financial distress. Research conducted by Antoniawati & Purwohandoko (2022); Giarto & Fachrurrozie (2020); Kartika & Hasanudin (2019) showed that leverage has a positive effect on financial distress. A high risk of financial distress will follow companies with high leverage. Efendi et al. (2023); Wijaya & Suhendah (2023) found that

leverage has a negative effect on financial distress. This study contradicts Carolina et al. (2018); Srikalimah (2017) research, which concluded that leverage does not affect financial distress. The high or low leverage does not affect the company's financial distress risk.

In this study, intellectual capital is predicted to moderate the effect of the operating cash ratio and leverage variables on financial distress. The selection of the intellectual capital variable as a moderating variable is new in this study. The inconsistency in the effect of the operating cash ratio and leverage variables on financial distress can predict that other variables play a role in influencing the company's financial distress. The intellectual capital variable is selected in the model because it is thought to have a role in preventing business failure.

Companies with high intellectual capital have a sound knowledge management system that ensures essential information is available for fast and accurate decision-making to manage operating cash flow and leverage. Intellectual capital as a moderating variable is expected to strengthen the operating cash ratio's negative effect and weaken the leverage's positive effect on financial distress. Companies with high intellectual capital will increase the value of the operating cash ratio and control the level of leverage to reduce the risk of financial distress in the company.

Theoretical Basis

Signaling Theory

According to Stephen Ross, in 1977, a signaling theory was used to explain corporate behavior in conditions of asymmetric information between corporate management and shareholders. Watts & Zimmerman (1990) argued that in an imperfect capital market, there is an information imbalance where corporate management has superior information about the company's prospects compared to outside investors. Signaling Theory explains how companies utilize policies to provide positive/negative signals to investors to influence the company's market value.

The information provided by the company to stakeholders can be good news about the company's financial condition, such as increased profits, dividend distribution, social and environmental concerns, or even bad news, such as dividend payment constraints, losses, and debt. Companies experiencing financial difficulties use the operating cash ratio as a signal to external stakeholders. A decreased operating cash

ratio indicates that the company struggles to generate enough cash from its primary operations to meet financial obligations. Investors and creditors can interpret signaling theory as a warning sign of potential financial difficulties. Leverage, which refers to the use of debt to finance operations, can also be a signal of financial difficulties. High leverage indicates that a company is heavily dependent on debt, which can increase its financial risk. Signaling theory suggests that companies in financial distress may use their operating cash ratio and leverage levels as signals to external stakeholders. These signals can provide valuable information about the financial health of the company and the potential for future financial distress.

The Effect of Operating Cash Ratio on Financial Distress

According to Beaver et al. (2010), financial distress is when a company cannot pay its maturing obligations. A stable and adequate operating cash ratio ensures the company can meet its short-term debts on time, reducing the risk of financial distress. A high operating cash ratio will increase creditor confidence in the company's ability to repay its debts, thereby increasing its access to financing at lower costs (Hery, 2015).

The operating cash ratio in this study shows the company's ability to meet its short-term obligations with the generated operating cash flow. A high operating cash ratio indicates that the company has sufficient cash flow to meet its short-term obligations. In contrast, a low ratio indicates the potential for liquidity problems in the company. This causes a high risk of financial distress in the company. This aligns with the signaling theory, which states that stakeholders can consider a negative operating cash ratio a negative signal. Negative signals indicate potential liquidity problems and difficulties meeting the company's financial obligations. Research conducted by Adityatama & Hermi (2023); Mondayri & Tresnajaya (2022); Radiansyah (2013) stated that the operating cash ratio has a negative effect on financial distress.

H1: The operating cash ratio has a negative effect on financial distress.

The Effect of Leverage on Financial Distress

Leverage is a ratio used to measure the extent to which a company's assets can be financed by debt.

Leverage arises from the company's use of funds from third parties in the form of debt. Using sources of funds from debt will create an obligation for the company to repay the loan and interest. If good cash receipts do not balance the high loan situation, the company will likely easily experience financial distress (Gobenvy, 2014). Based on signal theory, the company's leverage can signal financial conditions for external parties (Kasmir, 2019). When the company's financing uses more debt, it will result in a risk of potential payment difficulties in the future.

In this study, leverage is proxied by the debt-to-assets ratio (DAR), which shows the proportion of debt-financed assets. A high DAR ratio indicates that most of the company's assets are financed by debt, while a low DAR ratio indicates a more significant use of equity. High leverage means the company has a significant interest burden, which can reduce net income and increase the risk of financial distress. Highly leveraged companies rely heavily on external financing, which can increase the risk if market or economic conditions deteriorate. When a company's income fluctuates, the debt burden must still be paid, which increases the risk of financial distress.

The research results by Andriyani & Khafid (2014) stated that leverage positively affects financial distress. Companies that experience financial distress generally have total debts greater than total assets. It can be concluded that a high level of leverage allows companies to experience a high chance of financial distress. The results of this study are in line with research conducted by Antoniwati & Purwohandoko (2022); Giarto & Fachrurrozie (2020); Kartika & Hasanudin (2019), which shows that leverage has a significant positive relationship with the risk of financial distress. It can be concluded that leverage can positively affect financial distress.

H2: Leverage has a positive effect on financial distress.

The Effect of Operating Cash Ratio on Financial Distress Moderated by Intellectual Capital

Intellectual capital is an intangible asset a company owns, including knowledge, expertise, information, experience, and skills of employees, management, and the organization's business processes. According to Noviani et al. (2022), intellectual capital has three core human, structural, and relational elements. Substantial structural capital helps create more efficient business processes, reduce operational costs, and increase

profit margins to reduce dependence on operating cash flow and prevent financial distress. Innovation and technology supported by structural capital can increase productivity and reduce costs, increase operating cash flow, and reduce the risk of financial distress. High human capital can also increase productivity and operational performance, producing more robust and stable operating cash flow and reducing the risk of financial distress. Substantial relational capital improves the reputation and trust of customers and suppliers.

According to signaling theory, information about intangible assets such as intellectual capital is not just an internal company record but a strong signal to investors about the company's ability to manage its resources and knowledge. Intellectual capital is a marker that shows the market and related parties that the company has invested time and resources in developing competitive advantages. This is not just an image but a signal that the company is ready to overcome challenges and take advantage of opportunities well, thereby minimizing the risk of financial distress.

The research results by Mulyatiningsih & Atiningsih (2021); Widhiadnyana & Ratnadi (2019) show that intellectual capital negatively affects financial distress. This means that the higher the intellectual capital value, the less likely the company is to experience financial distress. High intellectual capital will strengthen the negative effect of the operating cash ratio on financial distress. Intellectual capital can help companies generate a higher and more stable operating cash ratio to increase their ability to meet financial obligations and reduce financial distress.

H3: Intellectual capital strengthens the negative effect of the operating cash ratio on financial distress.

The Effect of Leverage on Financial Distress Moderated by Intellectual Capital

According to Brigham & Houston (2018), leverage is the extent to which external capital is used in a company's capital structure. Leverage also uses revenue sources to cover fixed costs in the form of interest expenses. According to Gobenvy (2014), leverage shows how much debt is used to finance the company's assets. The amount of company debt depends on the company's success in generating income and the availability of assets used as collateral for the debt.

Intellectual capital includes intangible assets such as knowledge, expertise, and information systems. The level of intellectual capital can affect the company's performance and ability to deal with financial risks. According to Signaling theory, companies with high levels of intellectual capital tend to give positive signals to the market and other related parties. A high level of intellectual capital indicates that the company has good skills, knowledge, and systems for managing its assets.

Companies with high intellectual capital and leverage have a lower risk of financial distress. The company can better manage debt and will manage cash well so that cash reserves are always maintained. Signaling theory illustrates that intellectual capital can affect a company's leverage and moderate the relationship between leverage and financial distress. Companies with high intellectual capital will have more conservative leverage, which, in turn, can reduce the risk of financial distress. Research by Mulyatiningsih & Atiningsih (2021); Noviani et al. (2022); Widhiadnyana & Ratnadi (2019) shows that intellectual capital hurts the risk of financial distress. Based on this, intellectual capital is thought to be able to weaken the effect of leverage on financial distress.

H4: Intellectual capital can weaken the positive effect of leverage on financial distress.

Research Method

The population in this study consisted of 48 property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period, with 240 analysis units. Property and real estate companies were selected because 73% of property and real estate companies from the entire population had experienced losses in the 2018-2022 period. The dependent variable used in this study is financial distress (FD), measured using the Altman Z-Score.

$$FD = 1,2 X1 + 1,4 X2 + 3,3 X3 + 0,6 X4 + 1,0 X5$$

Note:

X1 = Working Capital / Total Assets

X2 = Retained Earnings / Total Assets

X3 = Earnings Before Interest and Taxes (EBIT) / Total Assets

X4 = Market Value of Equity / Total Liabilities

X5 = Sales / Total Assets

The independent variables of this study are the operating cash ratio and leverage. The operating cash ratio (OCR) is calculated using the formula:

$$OCR = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}} \times 100\%$$

The leverage variable is measured using the Asset Ratio (DAR), calculated by comparing total debt with total assets. The moderating variable in this study is intellectual capital. The formula for calculating intellectual capital (IC) is as follows:

$$IC = \frac{VA}{CE} + \frac{VA}{HC} + \frac{SC}{VA}$$

Note:

VA = Value Added (Sales and other income – operating expenses other than employee expenses, amortization, and depreciation)

CE = Capital Employed (total equity)

HC = Human capital (salary and benefit costs)

SC = Structural capital (VA-HC)

All research variables are obtained from secondary data in the form of company financial reports that can be obtained through the Company's official website. Data analysis techniques include descriptive statistical analysis and moderated regression analysis with an interaction model. The regression model used in this study is as follows:

$$FD = \alpha - \beta_1 OCR - B_2 DAR - \beta_3 OCFR * IC - \beta_4 DAR * IC + \epsilon$$

Note:

FD = Financial distress

OCR = Operating cash ratio

DAR = Debt to Assets Ratio

IC = Intellectual capital

α = Constant Coefficient

β = Regression Coefficient

ε = Error term

Results And Discussion

Results of Descriptive

Analysis The descriptive analysis used in this study is each research variable's average, minimum, maximum, and standard deviation values . Based on Table 1, the results of the descriptive test on the financial distress variable calculated using the Altman Z-score have a minimum value of 0.202530, a maximum value of 19.418, an average value of

2.803754 and a standard deviation value of 2.698926. The object of this study is categorized as having financial distress in the grey area category. The mean value exceeds the standard deviation, indicating that financial distress has a relatively small data distribution. The maximum value is data from PT Plaza Indonesia Realty (PLIN) in 2019, while the minimum is from PT Kota Satu Properti (SATU) in 2022.

Table 1. Descriptive Analysis Results

	FD	OCR	DAR	IC
Mean	2.803754	0.210129	0.357128	11.79977
Median	2.007522	0.107021	0.314851	9.446094
Max.	19.41861	2.482981	0.870625	49.37651
Min.	0.202530	-1.143522	0.031098	-
				23.20900
Std.Dev.	2.698926	0.511977	0.187369	9.933456

Source: Processed research data, 2024

The operating cash ratio variable has a minimum value of -1.143522, a maximum value of 2.482981, an average value of 0.2101, and a standard deviation of 0.511977. The operating cash ratio has an average value of 0.2101, which means the average operating cash ratio is in the bad category. The standard deviation value of 0.511977 is greater than the mean, reflecting that the operating cash ratio has a wide distribution with a relatively long data distance. The maximum value of 2.482981 was owned by PT Puradelta Lestari (DMAS) in 2020, while the minimum value of -1.143522 was owned by PT Metro Realty (MTSM) in 2018.

Leverage has an average value of 0.357128, meaning the company's leverage is in the low category. The standard deviation value is known to be 0.187369. The standard deviation value is smaller than the mean, reflecting that leverage has a relatively small data distribution. The maximum and minimum values of the leverage variable are 0.870625 and 0.031098, respectively. The maximum value was owned by PT Pollux Hotels Group (POLI) in 2018. The minimum value was owned by PT Plaza Indonesia Realty (PLIN) in 2019.

Intellectual capital has an average value of 11.79977, meaning the company's intellectual capital is in the top performers category. The standard deviation value is known to be 9.933456. The standard deviation value is smaller than the mean, reflecting that the intellectual capital variable has a relatively small data distribution. The maximum and minimum

values of the intellectual capital variable are 49.37651 and -23.20900, respectively. The maximum value was owned by PT PP Properti (PPRO) in 2020. The minimum value was owned by PT Bekasi Asri Pemula (BAPA) in 2022.

Results of Moderation Regression Analysis

Before conducting hypothesis testing, the best regression model was first selected for further testing. The first estimation model used was the Chow Test. Table 2 shows the probability value in the Chow test of 0.000 (<0.05) so that the most appropriate model between the common effect model (CEM) and the fixed effect model (FEM) is the fixed effect model (FEM).

Table 2. Chow Test Results

Effect Test	Statistic	d.f.	Prob
Cross-section F	9.897331	(35,139)	0.0000
Cross-section Chi-square	225.092331	35	0.0000

Source: Processed research data, 2024

The next model test to determine the best FEM model resilience, the Hausman test, was conducted. The results of the Hausman test (Table 3) show that the probability value is 0.1531 (> 0.05), so the most appropriate model between the fixed effect model (FEM) and the random effect model (REM) is the random effect model (REM).

Table 3. Hausman Test Results

Effect Test	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob
Cross-section random	8.058222	5	0.1531

Source: Processed research data, 2024

Because there are differences in test results, further model testing is carried out in the form of the Lagrange Multiplier test. The Breusch-Pagan probability value is 0.0000; this value is smaller than the significance level of 5% (0.05) that has been set so that it can be concluded that the most appropriate model between the common effect model (CEM) and the random effect model (REM) is the random effect model (REM). It can be concluded that the most suitable model for this study is the random effect model (REM).

Table 4. Lagrange Multiplier Test Results

Effect Test	Cross-section	Time	Both
Breusch-Pagan	126.8979 (0.0000)	0.057504 (0.8105)	126.9554 (0.0000)

Source: Processed research data, 2024

After selecting the best regression model, hypothesis testing uses the REM model. In summary, the results of the hypothesis testing are shown in Table 5.

Table 5. Hypothesis Testing Results

Variable	Coefficient	Std. Error	t-Stat.	Prob.
c	2.235194	0.101846	21.94676	0.0000
OFCR	-0.050614	0.024019	2.107299	0.0365
DAR	4.417975	0.232830	-	0.0000
IC	-0.002763	0.004828	18.97515	-
OFCR*IC	-0.014862	0.010291	-	0.5679
DAR*IC	0.031741	0.011204	0.572195	0.1505
			1.444158	
			2.833088	0.0052

Source: Processed research data, 2024

Discussion

The Effect of Operating Cash Ratio on Financial Distress

Table 5 shows the coefficient of determination for the OFCR variable of -0.050614 and a probability value of 0.0365 <0.05 ; these results indicate that the operating cash ratio has a negative effect on financial distress (H1 is accepted). The high ratio of the company's operating cash flow results in the company being able to pay off current debt with existing operating cash. The company's ability to pay off current debt will reduce the potential for financial distress.

This study's results align with the Signaling Theory, which states that a low operating cash ratio can be a negative signal to investors and creditors about the company's prospects. This can reduce stakeholder confidence in the company's ability to meet debt obligations and make investments for sustainability. The negative signal from a low operating cash ratio also increases investors' and creditors' perception of financial distress risk. Then, it causes an increase in capital costs, restrictions on access to funding or withdrawals by investors and creditors, and worsens

the company's financial condition, which can increase the risk of financial distress.

Harahap (2008) stated that cash flow is a report that provides relevant information about the company's cash receipts and expenditures in a certain period by classifying transactions into activities: operations, financing, and investment. According to Septianto (2016), a company with a ratio of operating cash flow to current liabilities below 1 means that it cannot pay off its current liabilities using only the operating cash ratio. The results of the descriptive analysis of the operating cash ratio of 169 data, or 94% of the total samples, show a poor operating cash ratio value. Then, the results of the descriptive analysis of financial distress of 77 samples, or 43% of the total samples in the distress category. It can be concluded that a low operating cash ratio can affect financial distress.

This study's results align with Finishtya (2019), who proved that the operating cash ratio negatively affects financial distress. The low value of the operating cash ratio is due to the increase in employee and trade receivables, which causes delays in cash receipts. If the company increases cash flow through external funding, it will make it closer to financial distress (Finishtya, 2019). This can allow the relationship between the operating cash ratio and financial distress to be negative. The results of this study are also in line with the studies of Adityatama & Hermi (2023); Almilia & Kristijadi (2003); Mondayri & Tresnajaya (2022); Radiansyah (2013), which states that the operating cash ratio has a negative effect on financial distress.

The Effect of Leverage on Financial Distress

The study's results in Table 5 show the coefficient of determination of the DAR variable of 4.417975 and a probability value of 0.0000 <0.05, indicating that leverage positively affects financial distress (H2 is accepted). The results of the study indicate that the higher the leverage, the higher the risk of financial distress for the company. High leverage indicates that the company borrows money in large amounts or uses high-risk financial instruments to increase the level of obligations that must be paid periodically. High obligations that are not balanced with sound cash management can lead the company to default.

In line with the Signaling Theory, when a company burdens itself with too much debt, it indicates that the signal sent to investors is negative. High leverage means that the company has a high risk of financial distress. When a company burdens itself with too

much debt, the signal sent to investors is negative. Through DAR, it can be seen whether the debt can be covered by the total assets available. High leverage can give the impression that the company is experiencing financial distress. High leverage can have a negative impact because the company has the potential to fail to pay high debts. This study is in line with the research of Antoniawati & Purwohandoko (2022); Giarto & Fachrurrozie (2020); Kartika & Hasanudin (2019), which states that leverage has a positive effect on financial distress.

The Effect of Operating Cash ratio on Financial Distress with Intellectual Capital as a Moderating Variable

The third hypothesis states that intellectual capital can strengthen the negative effect of the operating cash ratio on financial distress. The study results show that the coefficient of determination is -0.01468 with a significance value of 0.1505 > 0.05, indicating that intellectual capital cannot moderate the effect of the operating cash ratio on financial distress (H3 is rejected). The company changed the researcher's view regarding how the intellectual capital ratio can moderate the relationship between the operating cash ratio and financial distress. The high and low intellectual capital cannot affect the effect of the operating cash ratio on financial distress.

This result is not in line with the signaling theory, which states that intellectual capital is a good company prospect that provides a positive signal to investors by increasing the operating cash ratio, which can weaken financial distress. Intellectual capital is an asset in the long term, but there is no guarantee that intellectual capital is sufficient to protect the company from financial distress.

Intellectual capital cannot moderate the effect of the operating cash ratio on financial distress, which can be caused by less-than-optimal utilization of intellectual capital. Without effective integration between intellectual capital and financial strategy, intellectual capital will not be able to improve or increase the efficiency of operating cash flow. High employee turnover rates can cause instability in operations, disrupt operating cash flow, and increase the risk of financial distress. Inefficient structural capital is one of the causes of intellectual capital's inability to moderate the effect of operating cash flow on financial distress. Inefficient business processes can hinder productivity and increase operating costs, reducing operating cash flow.

The benefit period of intellectual capital tends to be extended. Meanwhile, financial distress often occurs in the short term, so intellectual capital may not be able to have a significant impact in moderating the effect of the operating cash ratio on financial distress in the short term. Companies can still experience poor operating cash ratio problems due to other factors such as macroeconomics, tight market competition, or regulatory changes. This shows that intellectual capital cannot stand alone in overcoming the problem of operating cash ratio and financial distress risk.

High intellectual capital has a value of more than 3.5 and is in the top performance category (Ulum et al., 2014). Meanwhile, according to Rachmawati & Pamuji (2021), a company can pay current liabilities without depending on cash flow from other activities if the operating cash ratio is at least 1 (one). The findings of this study are that intellectual capital cannot moderate the effect of the operating cash ratio on financial distress. This can be seen from the descriptive analysis that has been described previously. Based on the descriptive analysis of the total number of companies, 160 data have a figure above 3.5 or equivalent to 89% of the data being in the top performers category. Then, from the total data, 169 are below 1, meaning that the company cannot pay current liabilities without depending on cash flow from other activities.

This is in line with the logic of the findings if intellectual capital cannot moderate the effect of the operating cash ratio on financial distress. Around 89% of the total data have high intellectual capital. However, this intellectual capital cannot affect the value of the operating cash ratio because the company has a low operating cash ratio with a percentage of 94% of the total sample. So, it can be concluded that intellectual capital cannot moderate the effect of the operating cash ratio on financial distress.

The Effect of Leverage on Financial Distress with Intellectual Capital as a Moderating Variable

The fourth hypothesis states that intellectual capital can weaken the positive effect of leverage on financial distress. The study results can be concluded that the coefficient of determination is 0.03174 with a significance value of 0.0052 < 0.05, indicating that intellectual capital can weaken the positive effect of leverage on financial distress (H4 is accepted). High intellectual capital will cause the leverage value to decrease, thereby reducing the company's financial distress risk. High leverage indicates that the company

has a significant debt burden that can increase the risk of financial distress. However, the existence and effective management of intellectual capital can weaken the effect of leverage on financial distress.

These results align with the Signaling Theory, which states that intellectually solid capital can provide a positive signal to investors and creditors regarding the company's ability to manage debt, thereby reducing the risk of financial distress. Descriptive results show that the intellectual capital of property and real estate sector companies is 89% in the top performers category. Companies send positive signals to the market regarding operational efficiency, innovation, and financial stability; intellectual capital increases investor confidence to increase access to financing, improve financial conditions, and reduce the risk of financial distress.

Substantial structural capital helps create more efficient business processes. This reduces operational costs and increases profit margins so companies can more easily manage debt burdens. Innovation and technology supported by structural capital can increase productivity and reduce costs. This helps companies manage debt burdens better and reduce the risk of financial distress. High human capital can increase productivity and operational performance so that companies generate more stable income. Investment in employee training and development also increases operational efficiency and effectiveness.

Substantial relational capital can improve the reputation and trust of customers and suppliers, increase income and cash flow stability, and help companies manage debt. It can be concluded that intellectual capital is an important asset that can weaken the influence of leverage on financial distress. Companies must integrate intellectual capital management with financial and operational strategies to maintain financial stability and achieve long-term sustainability.

According to Ulum et al. (2014), high intellectual capital has a value of more than 3.5. The findings of this study are that intellectual capital weakens the influence of leverage on financial distress. This is reflected in the company PT PP Properti Tbk (PPRO). PPRO's intellectual capital value in 2018 was 46.793, followed by a DAR value of 0.6468 and an Altman Z-score value of 1.04. In 2019, PPRO's intellectual capital value was 45.9, with a DAR value of 0.69 and an Altman Z-score of 0.91. Then, in 2020, PPRO had an intellectual capital value of 49.37, followed by a DAR value of 0.61 with an Altman Z-score of 0.48. In 2021, PPRO's intellectual capital value was 49.37,

with a DAR value of 0.75 and an Altman Z-score of 0.48. In 2022, PPRO had an intellectual capital value of 21.51, followed by a DAR value of 0.78 and an Altman Z-score of 0.54.

It can be concluded that PT PP Properti Tbk has had intellectual capital in the Top Performers category for five consecutive years, resulting in a high DAR value and a low Altman Z-score value. The PP Properti company has become the company with the highest intellectual capital for five years but also has high financial distress. This aligns with research findings that the higher the intellectual capital value, the higher the leverage, thus weakening the company's potential to experience financial distress.

Conclusion

This study focuses on factors that influence financial distress. The independent variables of this study are the operating cash ratio and leverage. The study's results indicate that the operating cash ratio negatively affects debt policy. Leverage has a positive effect on financial distress. Intellectual capital cannot moderate the negative effect of the operating cash ratio on financial distress. Intellectual capital can weaken the positive effect of leverage on financial distress. The intellectual capital variable is proven to moderate the effect of leverage on financial distress but does not mediate the effect of the operating cash ratio variable.

This study suggests that management must develop an adequate cash flow management strategy to ensure a healthy operating cash ratio and develop an effective debt management strategy to maintain leverage safely and avoid financial distress. The company must also evaluate and optimize the use of human capital owned by the company to the maximum. Further researchers are expected to use research objects in other sectors listed on the IDX and replace or add independent variables that can better explain the company's financial distress, such as profitability, good corporate governance, and sustainability reports. Looking for other financial distress calculation proxies such as the Springate, Zmijewski, or Grover methods and leverage variables with other proxy calculations such as debt to equity ratio so that different research results are obtained.

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