



Analysis of the Influence of Audit Committee Characteristics, Managerial Ownership on Financial Distress (Research on Property and Real Estate Sector Companies Listed on the Indonesia Stock Exchange in 2021-2023)

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ABSTRACT

This investigation seeks to examine the impact of Audit Committee Size, Audit Committee Independence, Audit Committee Competence, Audit Committee Meeting Frequency, and Managerial Ownership variables on Financial Distress within Property and Real Estate Sector firms listed on the Indonesia Stock Exchange during the period 2021–2023. The study population comprises 92 companies in the property and real estate sector. Employing a purposive sampling method, a sample of 54 companies was selected for analysis. The analysis tool used for data processing is SPSS 29 software. The findings of this study are as follows: 1) Audit Committee Size, Audit Committee Independence, Audit Committee Competence, Audit Committee Meeting Frequency, and Managerial Ownership collectively exert no statistically significant simultaneous effect on Financial Distress. 2) The magnitude of the Audit Committee does not influence financial distress. 3) The degree of independence within the audit committee bears no impact on financial distress. 4) The proficiency of the audit committee fails to affect financial distress. 5) The recurrence of audit committee meetings exhibits a significant inverse relationship with financial distress. 6) Managerial ownership does not significantly affect financial distress

INTRODUCTION

In the context of corporate governance that aims to achieve long-term financial sustainability, the role of optimal financial management becomes crucial. The essence of financial management lies in the effort to optimize the company's value and ensure its operational continuity through strategic, efficient, and effective management of financial resources (Ompusunggu & Irenetia, 2023).

Every business entity is essential to implement an organized and efficient management. The integration of normative corporate oversight mechanisms is believed to increase the probability of the company being in a financially healthy condition. In contrast, the firm's strategic disposition inability to handle financial problems is an indication of the weak governance implemented. Imbalances in financial conditions can have various negative implications, such as loss of trust from customers and suppliers, as well as reduced opportunities to acquire new projects, because management's focus is fully absorbed to overcome the problem of financial distress (Faizatullail, 2019).

Ineffective corporate governance practices have the potential to reduce company performance, especially due to weak management supervision mechanisms that can open up opportunities for fraud and opportunistic behavior. Such conditions may undermine investor confidence, thereby diminishing investment interest. Within the framework of implementing sound corporate governance, the audit committee holds a strategic function. This committee is responsible for overseeing the corporate entity's operational executions and ensuring the effectiveness of the internal control system to safeguard shareholder interests (Hermawan & Dhia Wenny, 2015)

The sectors of property, real estate, and construction development are often strategic choices for investors as investment instruments. Interest in this sector is driven by the enduring temporal orientation of its investments and the characteristics of its assets. Property, real estate, and building construction are categorized as multipurpose assets that not only have high economic value, but can also function as collateral in supporting the institution financing activities.

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LITERATURE REVIEW

Agency Theory

In the perspective theory of principal-agent relationships, there is represents a legally binding the asymmetrical alignment of interests between principal and proxy (owner) and the executing entity (management) that is formed to achieve a certain goal. This theory is the foundation for understanding the potential for dysfunctional behavior, such as improper management actions in income smoothing practices. This happens because of the difference in interests shared by both parties. Executive team as an agent tends to seek compensation in the form of cash bonuses, while principals prioritize achieving the expected level of return (Fatimah & Danial, 2019).

Divergences of interest between shareholders and management are implications that often arise in agency relationships. Shareholders tend to demand a yield considerable returns on investment and are earned in the shortest possible time. On the contrary, managers as agents focus on fulfilling personal interests, especially in the form of compensation or maximum incentives in return for performance achieved in the management of the company. This difference in orientation is the main source of imbalances in corporate decision-making (Yusiratasi, 2022)

Agency theory is an approach to understanding economic information by expanding the analysis from one individual to two parties, namely agents and principals. Agency relationships can be understood as contractual relationships between the managerial and the shareholder investors. This agency relationship often causes problems between delegated managerial stewards and shareholders as principals, conflicts that occur because humans are economic creatures who have the nature of self-interest. Agency theory rests upon three fundamental assumptions: (a) theoretical axioms regarding human nature, (b) theoretical axioms pertaining to organizational structure, and (c) theoretical axioms related to information. The theoretical axioms about human nature posit that individuals are primarily motivated by self-interest, possess bounded rationality, and exhibit risk-averse behavior (Ardianti,2018). In its implementation, the audit committee can be said to be effective when viewed from one aspect, namely seen from the actions of concerning the audit committee (Fasha & Ratmono, 2022).

The audit committee's performance can be evaluated through various factors, including its independence, technical expertise, experience, committee composition, authority, and the frequency of meetings conducted. The effectiveness of engagement serves as a fundamental driver a crucial function in augmenting the standard of the company's quantitative articulations. Guidelines recommend that an audit committee is regarded as efficacious when it comprises three to five members. Moreover, the committee's effectiveness is further demonstrated by the regularity of its meetings and the extent to which its charter is adhered to (Joy & Fachriyah, 2018)

Financial Distress

Financial distress refers to a instance of a firm experiencing economic distress characterized by an inability to provide adequate liquidity to meet its short-range financial obligations. In this situation, the organization is unable to pay off its financial obligations within the stipulated time limit, thus indicating a potential disruption to its operational continuity (Sianipar, Herawaty, & Rahayu, 2023). Companies that are in financial distress generally face obstacles in generating adequate profits in a given reporting period. In addition, the company also experiences obstacles in fulfilling its short-term obligations to external stakeholders, including investors, creditors, and employees, which can ultimately disrupt the stability and continuity of the company's operations (Masak & Noviyanti, 2019)

Audit Committee Size

The size of the audit committee refers to the total number of its members (Putra & Sherly, 2020). According to the regulations stipulated by the accordance with the provisions embedded in OJK Regulation No. 55/POJK.04/2015, all corporates enlisted on the Indonesia Stock Exchange are required to have an audit committee comprising at least three members, including autonomous corporate governance delegates and representatives from external parties pertaining to listed entities or publicly held corporations. In this study, the variable used to represent the number of audit committee members is designated as **ACSIZE**.

The study by (Putra & Sherly, 2020) examines an empirical assessment of the relationship between audit committee configurations and financial instability in corporate entities within state-owned enterprises. The research sample comprises 180 state-administered corporations incorporated within the capital market framework of the IDX over the period from 2014 to 2018. Utilizing data sourced from annual reports, the findings indicate that the numerical composition of the audit committee significantly influences the occurrence of financial deterioration. Accordingly, the following hypothesis is proposed:

H1: The size of the audit committee has an affects on financial ditress

Audit Committee Independence

The independence of the audit committe refers to the condition in which all members of the board-level oversight body work objectively and free from external and internal influences, so as to be able to handle the firm problems fairly and impartially. The existence of an independent audit committee is essential for companies, given their crucial role in ensuring accurate and appropriate decision-making in the interests of the company (Putra & Sherly, 2020)

(Nadjib, 2019) conducted a study investigating the bearing of audit committees on financial deterioration, specifically focusing on fabrication-based enterprise domain companies listed on the Indonesia Stock Exchange (IDX) during the period 2014–2016. Utilizing annual reports as the primary data source, the study found that the independence the audit committee in a statistically meaningful manner affects financial conditions. Based on these findings, the following hypothesis is proposed:

H2: The autonomous stature of the audit oversight body influences financial distress.

Audit Committee Competencies

The governance-critical acumen of the audit committee structure refers to the level of adequate understanding and expertise possessed individual audit committee members in performing their designated functions and tasks (Inawati, Muslih, & Kurnia, 2021). Financial expertise is a competency required for audit committee members pursuant to the regulations issued As mandated by the financial services supervisory agency. In-depth knowledge in the context of accounting and finance is an important foundation for audit committee members to carry out the examination and analysis of financial information effectively and accurately.

The research conducted by (Gunawijaya, 2015) examines this systematic examines the influence of audit committee characteristics, the impartiality of the board of commissioners, and auditor reputation on financial deterioration within publicly listed manufacturing firms operating within the IDX regulatory framework during the period 2011–2015. Utilizing annual reports as the primary data source, the findings indicate that the competence of exerted by the audit committee in a statistically meaningful manner impacts financial adversity. Accordingly, the following hypothesis is proposed:

H3: The functional acumen of audit committee members affects financial distress.

Frequency of Audit Committee Meetings

OJK Regulation Number 55 of 2015 Article 13 explains that the audit committee's meeting intensity over a given fiscal period denotes the overall incidence of formal assemblies conducted by the audit committee within a one-year period. According to the regulations set by the Financial Services Authority, the presence of an audit committee is a regulatory prerequisite to convene regularly, with a minimum frequency of once every three months.

The study conducted by (Rizqiani & Umaimah, 2022) investigated the impact of numerical composition of the audit oversight body, the frequency of sessions held by the audit governance body, and auditor reputational standing as a determinant in forecasting financial vulnerability among manufacturing firms constituting part of the IDX-listed entities during the 2018–2020 period. The investigation discloses that the extent of audit committee meeting has a significant positive effect, indicating that an increased number of meetings correlates with indicative of greater exposure to corporate insolvency risk. Based on these results, the following hypothesis is proposed:

H4: The frequency of audit oversight body meetings significantly the emergence of fiscal adversity

Managerial Ownership

According to (Nasiroh & Priyadi, 2018), managerial ownership refers to the percentage of common shares held by management personnel who actively participate within the firm's strategic deliberation mechanisms. The presence of managerial ownership is considered to enhance the effectiveness of monitoring activities related to the company's performance.

Research conducted (Nasiroh & Priyadi, 2018) shows the results indicate the proportion of equity held by internal management has a statistically substantial impact on the emergence of financial instability, with a material effect value of 0.032, which is below the 0.05 threshold. This suggests that the proportion of equity held by internal management influences the financial distress variable. In light of the empirical evidence obtained, the following Empirical conjecture is proposed:

H5: Managerial ownership affects financial distress.

The Influence of Audit Committee Size, Independence, Competence, and Audit Committee Frequency, and Managerial Ownership on Financial Distress

The research conducted by (Ipayatulloh, Usmar, & Akbar, 2023) focuses on the role of audit committee features in shaping firm-level financial trajectories distress within pharmaceutical and cosmetic companies. The research sample consists of pharmaceutical and cosmetic firms constituting part of the IDX-listed entities during the 2018–2020 timeframe. Utilizing annualized reports of fiscal outcomes as the primary data source, the findings reveal that the characteristics of the audit oversight body collectively have a significance impact on fiscal adversity conditions. Based on these results, the following hypothesis is proposed:

H6: The size, independence, competence, and meeting frequency of the audit committee, along with managerial ownership, are all factors that influence financial distress.

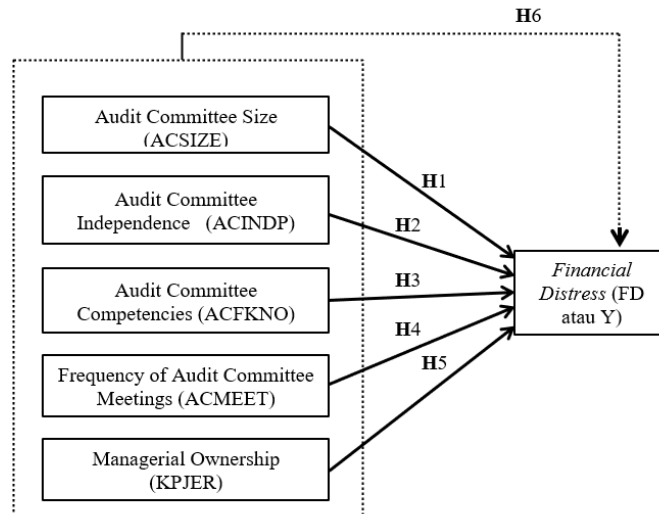


Figure 1. Conceptual Framework

METHODOLOGY

Types of Research and Samples

The research is conducted using a quantitative design, which focuses on the development of findings obtained through the application of statistical procedures or other quantification methods to measure the phenomenon being studied. The data were analyzed using descriptive statistical methods. According to (Sugiyono, 2020), descriptive statistics are statistical methods that function to describe or explain research objects based on sample or population data as they are, without conducting inferential analysis or drawing generalizing conclusions. The sample in this study consists of 54 property and real estate companies observed over a three-year period, resulting in a total of 162 units of analysis. The sampling technique applied is selective sampling based on predefined criteria, in which samples are selected based on specific predetermined criteria, as outlined below:

Table 1. Sample Inclusion Criteria

No.	Criteria Sample	Sum
1	Property & Real Estate Companies listed on the IDX	92
2	Companies that do not issue a complete annual report on the IDX from 2021-2023.	(27)
3	Companies that do not provide complete research variable information on the 2021-2023 annual report.	(11)
4	Number of companies selected as research samples.	54
5	Year of Observation	3
	Number of Units of Analysis	162

Data Types, Sources and Data Collection Techniques

The investigation is anchored upon the analysis comprising non-primary empirical information. The foundational dataset for this research was extracted from the annual report of property and real estate companies in 2021-2023. Information on the firms selected as the research sample was acquired through the authorized online repository maintained by the Indonesia Stock Exchange, namely <https://www.idx.co.id/id> and other necessary sites.

Research and Measurement Variables

The predicted construct in this research is financial distress (FD), assessed through the utilization of Altman Z-Score method. According to this method, firm are classified as bankrupt where the Z-score registers a value of less than 1.81, are in the gray area if the Z-score is between 1.81 and 2.90, and are considered not to be financially distressed or potentially bankrupt if the Z-score is greater than 2.90 (Gupita, Soemoedipiro, & Soebroto, 2020). The first independent variable is the extent of personnel involved in audit supervisory functions (ACSIZE) Which is quantified through by summing up all audit committee members. The second independent variable is the independence of the audit committee (ACINDP) which is quantified by the total number of audit

oversight panel that is independent or has no family relationship with the statutory leadership council of the firm or commissioners. The tertiary predictor variable is the competence of the audit committee (ACFKNO) is measured by the total number of audit oversight panel possessing a background in accounting or finance. The fourth independent variable, the frequency of audit committee meetings (ACMEET), is quantified by the count of official gatherings held by the audit governance panel within a one-year period. The fifth independent variable, managerial ownership (KPJER), is computed as the proportion denoting the proportion of company equity under managerial control relative to the total outstanding shares (Dewi & Rosyadi, 2024).

Data Analysis Methods

The statistical approach adopted in the current study was A statistical inference model applying multivariable linear association using the SPSS 29 program which refers to the study (Putra & Sherly, 2020). This analysis was used to analyze the influence of independent variables or variables X (The size, independence, competence, and the periodicity of sessions convened by the audit oversight body, along with managerial ownership) on bound variables or Y variables (Financial Distress) with the following model:

$$FD = \beta_0 + \beta_1 ACSIZE + \beta_2 ACINDP + \beta_3 ACFKNO + \beta_4 ACMEET + \beta_5 KPJER + \varepsilon$$

RESULT

Classic Assumption Test

This study employs a multiple linear regression model, with hypothesis testing conducted through partial t-tests and simultaneous F-tests. Prior to the regression analysis, diagnostic tests including normality, multicollinearity, autocorrelation, and heteroscedasticity were performed to assess the validity and suitability of the model.

Normality Test

Table 2. Normality Test

	Unstandardized Residual	
N	132	
Normal Parameters ^{a,b}	Mean	0,0000000
	Std. Deviation	0,67062276
Most Extreme Differences	Absolute	0,065
	Positive	0,021
	Negative	-0,065
Test Statistic	0,065	
Asymp. Sig. (2-tailed) ^c	.200 ^d	
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on the table above, the Asymp. Sig. (2-tailed) value is 0.200, which exceeds the 0.05 significance level. Therefore, it can be concluded that the data are normally distributed.

Multicollinearity Test

Table 3. Multicollinearity Test

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3,217	1,448		2,221	0,028		
	ACSIZE	-0,135	0,248	-0,048	-0,543	0,588	0,966	1,036
	ACINDP	-0,582	1,126	-0,045	-0,517	0,606	0,961	1,041
	ACFKNO	0,290	0,260	0,097	1,113	0,268	0,971	1,030
	ACMEET	-0,063	0,024	-0,240	-2,627	0,010	0,893	1,119
	KPJER	0,004	0,292	0,001	0,013	0,990	0,903	1,108

a. Dependent Variable: FD

Based on the table above, it can be seen that the VIF value of the Audit Committee Size variable (ACSIZE) is 1.036, Audit Committee Independence (ACINDP) is 1.041, Audit Committee Competency (ACFKNO) is 1.030, Audit Committee Meeting Frequency (ACMEET) is 1.119, and Managerial Ownership (KPJER) is 1.108. This means that there is no multicollinearity between free variables because the VIF value is not greater than 10, so that the assumption of multicollinearity is met.

Autocorrelation Test

Table 4. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.250 ^a	0,063	0,025	0,68380	1,169

a. Predictors: (Constant), KPJER, ACFKNO, ACSIZE, ACINDP, ACMEET

b. Dependent Variable: SQRT_FD

As per the results of the autocorrelation evaluation, the Durbin-Watson metric is statistic of 1.169, which is near the value of 2 and well below 4, indicating suggesting the nonexistence of residual dependency across time

Heteroscedasticity Test

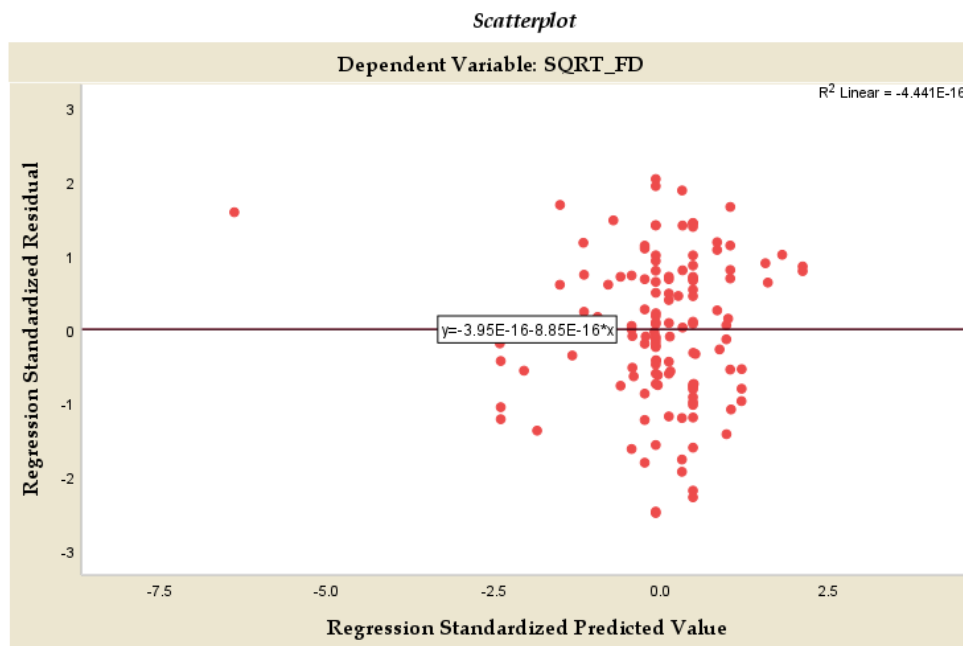


Figure 2. Heteroscedasticity Test

The scatterplot indicates that, it can be seen that the data points are scattered randomly without forming a specific pattern. This shows that in the test there was no indication of heteroscedasticity problems.

Regression Analysis Result

Table 5. Regression Analysis Result

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,217	1,448		2,221	0,028
	ACSIZE	-0,135	0,248	-0,048	-0,543	0,588
	ACINDP	-0,582	1,126	-0,045	-0,517	0,606
	ACFKNO	0,290	0,260	0,097	1,113	0,268
	ACMEET	-0,063	0,024	-0,240	-2,627	0,010
	KPJER	0,004	0,292	0,001	0,013	0,990

a. Dependent Variable: SQRT_FD

The following represents the multiple regression model obtained:

$$FD = 3.217 - 0,135 ACSIZE - 0,582 ACINDP + 0,290 ACFKNO - 0,063 ACMEET + 0,004 KPJER + \epsilon$$

From the above model, it can be interpreted that the value of the β_1 parameter estimate is negative, measured at -0.135, indicating that every 1% increase in The membership size of the audit committee will reduce financial difficulties by -0.135. This means that if the size of the composition size of the audit committee increases, financial deterioration decreases.

The value of the β_2 coefficient is negative of -0.582, indicating that every 1% increase in the audit committee's independence value is predicted to decrease the value (z-score) of financial distress by -0.582. This means that if The audit committee's independent status increases, financial difficulties decreases. The value of the β_3 coefficient is positive of 0.290, suggesting that a 1% augmentation in the capability of the audit committee value is predicted to increase the value (z-score) of financial difficulties by 0.290. This means that if the extent of audit-relevant knowledge and skills embedded in the committee increases, financial deterioration increases.

The value of the β_4 coefficient is negative of -0.063, indicating that every 1% increase in the periodicity of audit committee gatherings is predicted to reduce the value (z-score) of financial distress by -0.063. This means that if the periodicity of audit committee gatherings increases, financial difficulties decreases. The value of the β_5 coefficient is positive of 0.004, indicating that every 1% increase in the value of managerial ownership is predicted to increase the value (z-score) of financial distress by 0.004. This means that if managerial ownership increases, financial distress increases.

R-Square Test

Table 6. R-Square Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250 ^a	0,063	0,025	0,68380

a. Predictors: (Constant), KPJER, ACFKNO, ACSIZE, ACINDP, ACMEET

b. Dependent Variable: SQRT_FD

Referring to the aforementioned table, the value of R^2 of 0.025 which means that the magnitude of the influence of the Audit Committee Size (ACSIZE), Audit Committee Independence (ACINDP), Audit Committee Competency (ACFKNO), Audit Committee Meeting Frequency (ACMEET), and Managerial Ownership (KPJER) on Financial Distress (FD) is 2.5% while the remaining 97.5% is explained by other variables outside this model.

F TestTable 7. F Test
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3,936	5	0,787	1,684	.143 ^b
Residual	58,915	126	0,468		
Total	62,851	131			

a. Dependent Variable: SQRT_FD

b. Predictors: (Constant), KPJER, ACFKNO, ACSIZE, ACINDP, ACMEET

Based on the table above using a significance level of 0.05 ($\alpha = 5\%$) together, the Audit Committee Size (ACSIZE), Audit Committee Independence (ACINDP), Audit Committee Competency (ACFKNO), Audit Committee Meeting Frequency (ACMEET), and Managerial Ownership (KPJER) had no effect on financial distress because the Sig. was greater than 0.05, which was 0.143.

T Test

Table 8. T Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,217	1,448		2,221	0,028
	ACSIZE	-0,135	0,248	-0,048	-0,543	0,588
	ACINDP	-0,582	1,126	-0,045	-0,517	0,606
	ACFKNO	0,290	0,260	0,097	1,113	0,268
	ACMEET	-0,063	0,024	-0,240	-2,627	0,010
	KPJER	0,004	0,292	0,001	0,013	0,990

a. Dependent Variable: SQRT_FD

Based on the table, the Sig value from the audit committee size variable (ACSIZE) was $0.588 > 0.05$ (α) and the t-value was calculated -0.543. Therefore, it can be said that the magnitude of the audit committee bears no statistically discernible influence upon the incidence of financial adversity. The Sig value of the audit committee's independence variable (ACINDP) was $0.606 > 0.05$ (α) and the t-value was calculated -0.517. Therefore, it can be said that the independence pertaining to the audit committee, does not demonstrate a material influence effect on financial distress.

The Sig value of the audit committee competency variable (ACFKNO) was $0.268 > 0.05$ (α) and the t-value was calculated 1.113. Therefore, it can be said that the proficiency of the audit committee exerts no materially consequential impact on the manifestation of financial distress. The significant value of the variable frequency of deliberative sessions of the audit oversight body (ACMEET) was

0.010 < 0.05 (α) and t-value was -2.627. Therefore, it can be that the recurrence of audit committee convenings exhibited a markedly inverse correlation with the occurrence of financial distress. The Sig value of managerial ownership (KPJER) was 0.990 > 0.05 (α) and t-value was 0.013. These results show that the level of managerial ownership is statistically unassociated with the incidence of financial instability.

DISCUSSION

The Effect of Audit Committee Size on Financial Distress

The results of the audit oversight body variable test showed that this variable did not exhibit a material impact on the firm's susceptibility to financial distress, thus hypothesis 1 (H1) was rejected. This denotes that an elevated degree of autonomy within the audit oversight body is inversely associated with the propensity to encounter financial adversity. The empirical findings of the present inquiry exhibit consonance with the scholarly investigations undertaken by (Ramadhaniyah, Rieka, Triana, & Anggie, 2022) that the dimensionality of the audit committee bears no statistically meaningful influence on the firm's susceptibility to financial distress. These findings reveal that the extent or size of the audit oversight members fails to directly determine the effectiveness of supervision of the company's financial condition. The same results were also obtained from a study (Winalda, Maryani, & Jayanti, 2019) which indicated that the magnitude of the audit oversight body was found to exert no statistically salient influence on the incidence of financial deterioration.

The Influence of Audit Committee Independence on Financial Deterioration

The empirical assessment of the audit oversight body Independence variable indicates an absence of influence on the occurrence of financial distress. Consequently, Hypothesis 2 (H2), which posits that audit oversight body independence impacts financial distress, is empirically refuted. These findings suggest that an enhanced degree of independence does not necessarily correspond with a diminished likelihood of corporate financial distress. The same results were obtained in a study (Putra & Sherly, 2020) that the independence of the audit oversight body did not have a significant effect on the company's financial distress condition. Research (Ramadhaniyah, Rieka, Triana, & Anggie, 2022) also had the same results that the degree of autonomy exhibited by the audit oversight body bore no statistically substantive impact on the manifestation of financial distress.

According to (Ramadhaniyah, Rieka, Triana, & Anggie, 2022) The autonomous standing of the audit oversight body is still a dubious issue, especially in executing oversight responsibilities and internal control over company management. This is allegedly due to the recruitment process of audit committee members that has not been fully transparent, raising doubts about their level of independence in carrying out their roles objectively.

The Influence of Audit Committee Competence on Financial Distress

The inferences drawn from the third hypothesis test stated that the audit committee's competence was not implicated as a determinant of financial adversity. Thus, hypothesis 3 (H3) is failed which states that the audit oversight body's functional competence has an effect on fiscal deterioration. This shows that the oversight body's background fails to demonstrate a substantial effect on financial difficulties. The findings of the present investigation corroborate the scholarly work executed by (Putra & Sherly, 2020) which the expertise associated with the audit oversight body exerts no discernible effect on the incidence of financial adversity. These results suggest that the audit governance entity's proficiency in financial reporting and accounting systems has failed to exert a statistically significant role in bolstering the firm's endeavors to circumvent fiscal adversity.

The Effect of Audit Committee Meeting Frequency on Financial Deterioration

The analysis revealed on the audit panel's sessional occurrence variable show that this variable has an influence on financial distress. Consequently, Hypothesis 4 (H4) is corroborated, asserting which the recurrence of audit committee convenings exerts a deleterious effect on the incidence of corporate fiscal adversity. This implies that an elevated frequency of audit committee assemblies within a fiscal year significantly modulates the likelihood of encountering financial adversity. The outcomes of this investigation align congruently with extant scholarly research (Haziroh & Nugroho, 2017) which shows that the temporal occurrence of audit oversight assemblies within the firm has a significant negative effect on financial distress. The obtained results indicate that the increasing frequency of meetings conducted undertaken by corporate audit oversight bodies has the potential to reduce the likelihood of companies experiencing financial distress. With a more intensive frequency of meetings, companies have a greater opportunity to conduct early detection of financial problems, so that the executive oversight board can make timely strategic determinations to prevent the continued deterioration of financial conditions.

The Influence of Managerial Ownership on Fiscal Adversity

The empirical evaluation the construct of managerial equity ownership revealed that this variable had no influence on financial distress. Thus, hypothesis 5 (H5) is rejected which suggests that internal ownership structure carries has an effect on fiscal adversity. This shows that either a small or a lot of share ownership by management does not affect financial distress. This finding is corroborated by research carried out by (Rachmawati & Retnani, 2020) which said that managerial ownership exerts no statistically significant influence in relation to the emergence of financial vulnerability. The findings of this investigation suggest that executive shareholding fails to exert a statistically meaningful impact on the firm's susceptibility to financial vulnerability. Thus, the fraction of shareholding by managers in a corporate cannot be categorized as the main determinant that affects the risk of encountering financial vulnerability

The Impact Exerted by Audit Committee Magnitude, Autonomy, Proficiency, Meeting Frequency, and Managerial Ownership on the Incidence of Financial Distress

The simultaneous analysis reveals that Audit Committee Size, Independence, Competence, and Audit Committee Meeting Frequency, and Managerial Ownership collectively exert no statistically meaningful impact on corporate fiscal adversity. This conclusion is supported by a significance value of 0.143, which exceeds the 0.05 threshold, leading to the rejection of Hypothesis 6 (H6). Furthermore, the determination coefficient (adjusted R²) was calculated at 0.025, indicating that the model accounts for merely 2.5% of the variance in the financial distress variable. Consequently, the combined explanatory power of the audit committee size, independence, competence, meeting frequency, and managerial ownership is limited to 2.5%, while the remaining 97.5% of the variance is attributable to extraneous factors beyond the scope of the current research framework.

The results of the findings of this investigation are congruent with the scholarly inquiry undertaken by (Ramadhaniyah, Rieka, Triana, & Anggie, 2022) that the collective dimensions of Audit Committee magnitude, autonomy, convening frequency, and proficiency (simultaneously) have no effect on Financial Distress.

CONCLUSION AND RECOMMENDATION

This research analyzes the influence of audit committee size, independence, competence, frequency of audit committee meetings, and managerial ownership on financial distress in firms operating in the property and real estate industry listed on the IDX from 2021 to 2023 utilizing the Altman Z-Score analytical model. The findings of this investigation substantiate the hypothesis asserting that audit committee size, independence, competence, and managerial ownership individually exert no statistically meaningful impact on financial distress. In contrast, the recurrence rate of audit committee assemblies demonstrates a statistically significant inverse effect on financial distress. However, when considered concurrently, audit committee size, independence, competence, meeting frequency, and managerial ownership collectively fail to exert a statistically meaningful impact on financial distress.

Prospective investigators are encouraged to consider the use of alternative prediction models, such as the Zmijewski, Grover, Ohlson, Springate S-Score, Earnings per Share (EPS), or EBITDA models, or other approaches, to provide variety and enrich perspectives in measuring potential financial distress. On the corporate side, This investigation advocates for an enhanced level of active in supervision to maintain stability and increase the incidence rate of audit committee gatherings. With a more intensive frequency of meetings, the company has a greater opportunity to carry out early detection of financial problems, so that the board of directors can make strategic decisions in a timely manner and avoid bankruptcy.

The restricted proportion of variance explained, as evidenced by the adjusted R-squared value in this study is 2.5%, which indicates that 97.5% variation in the company's financial distress conditions Could be accounted for by omitted variables external to the specified framework. Therefore, the researcher is further advised to consider the addition of other elements of Good Corporate Governance (GCG) as independent variables, such as the arrangement of the executive oversight board, the frequency of executive oversight board meetings, institutional ownership, audit quality, and other relevant factors, in order to improve the prognostic efficacy of the model.

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