THE INFLUENCE OF BUSINESS STRATEGY, SUPERVISORY EFFECTIVENESS AND SUSTAINABLE GROWTH RATE IN BANKRUPTCY PREDICTION

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Abstract

This research aims to test and prove how influence business strategy, supervision effectiveness and sustainability growth level have in predicting bankruptcy. The research is quantitative research, which uses a panel data regression analysis model. The research sample is companies that are included in the special monitoring category of the Indonesia Stock Exchange in April 2024, with PKPU status or have negative equity in companies operating in the property and real estate industry. The results of the research show that business strategy, supervision effectiveness and the level of sustainability growth of a company have a significant influence of 49% in predicting bankruptcy of companies in the property and real estate industry in the 2019 - 2023 research period. Meanwhile, business strategy and supervision effectiveness have a positive influence. against Financial Distress. Meanwhile, the Sustainability Growth Rate has a negative effect on Financial Distress, where the more a company does not experience sustainability, the closer it is to the bankruptcy area. Meanwhile, firm size as a control variable in this study does not have a significant effect on Financial Distress.

Keywords: Business Strategy, Financial Distress, Sustainability, Tax Management

1. INTRODUCTION

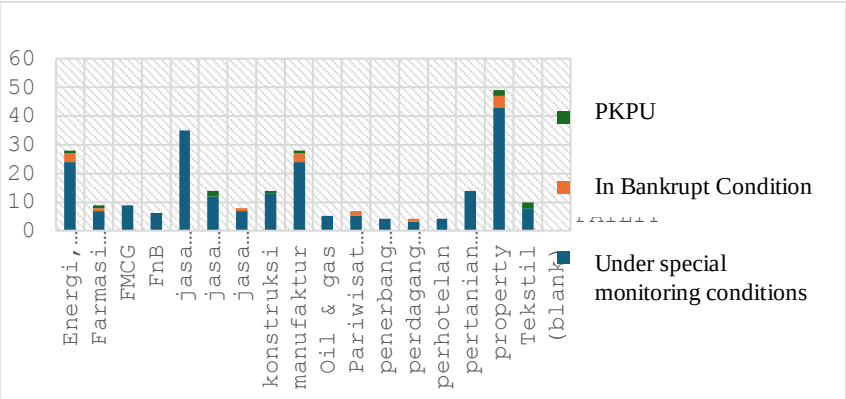
Bankruptcy risk of a company is the main focus for investors before making an investment. Predicting, mitigating and assessing bankruptcy risk is important to maximise returns, as well as providing capital selectively in choosing profitable and sustainable businesses. Bankruptcy prediction with a high level of accuracy can provide protection for stakeholders such as investors, creditors and suppliers (Charalambous et al., 2022). Based on special notations on the Indonesia Stock Exchange, at least until the period of 8 March 2024, there were 15 out of 225 listed companies with bankruptcy status or bankruptcy applications. There are at least 7% of companies that have been declared bankrupt. The existence of information regarding the potential bankruptcy of a company allows stakeholders to analyse and recognise early indications of bankruptcy (Lukito & Sandra, 2021). In addition, by detecting bankruptcy early with the right approach, it can give the Company the opportunity to overcome financial challenges and improve business conditions through business strategies (Rahmana, 2022).

Business Strategy can be applied by a company as a response to competition in a competitive industry. Before deciding to take steps to implement a business strategy, companies usually pay attention to strategies in terms of cost and product differentiation. This strategy is used to minimise costs, in order to achieve operational and business excellence (Bansal & DesJardine, 2014). Cost leadership strategies are usually carried out

by the Company, both in terms of minimising operational costs, as well as other costs such as overhead costs and taxes. Therefore, in order to maintain the Company's condition to survive, it is necessary at least management supervision in carrying out cost strategies, both in terms of business and taxation.

Supervision Effectiveness in terms of tax planning is used by management with the right supervision method, in order to minimise the tax costs incurred as a result of a company's business activities (Alexeyeva & Sundgren, 2022). This is done with the aim that efficiency is achieved and net income will increase, so that it will attract investors to invest their capital. In predicting bankruptcy, to analyse tax avoidance indicators, one of them is by looking at the tax cash used by the company during the last few fiscal years. The practice of reducing the tax burden is quite detrimental to Indonesia, which makes taxes the biggest foundation of the State Budget (APBN). In 2020 the realisation of tax revenue was IDR 1,404,507,505,772,000.00 (one quadrillion four hundred four trillion five hundred seven billion five hundred five million seven hundred seventy two thousand rupiah) (pajak.go.id). If companies do not practice tax avoidance, then tax revenues can be greater than 5.5% of this amount (kontan.co.id). In Awaliah et al. (2022), regarding the trend of tax avoidance that occurred in Indonesia during the period 2016 - 2020, at least it is known that the largest tax avoidance cases are dominated by companies in the property and real estate industry sector. Therefore, a supervisory unit that is able to monitor the Company's operations is needed to prevent fraudulent practices in taxation and carry out appropriate tax planning, so as not to cause inflated tax debts if detected by the state, so it is feared that it will result in the risk of a decrease in the Company's solvency, which can hamper the growth and sustainability of business in the Company.

Sustainability Growth Rate (SGR) can indicate the maximum growth rate that a company can sustain, without having to finance growth with additional equity. Companies with high SGR are often able to maximise effective sales, focus on high-margin products, and manage inventory, payables and receivables. However, a high sustainable growth rate over a long period of time can also be difficult for the company due to changes in economic conditions.



Source: Data processed, IDX Special Notation, 2024

Figure 1. Indonesia Stock Exchange Special Notation

The condition of the Company undergoes dynamic changes from time to time. Often the Company experiences an inability to compete, causing the Company to be in a situation of cash flow pressure due to the impact of too high debt and decreased profitability. Based on changes in these conditions, in the February 2024 period the Indonesia Stock Exchange recorded that there were around 223 companies in various industrial sectors that were declared under special monitoring conditions related to the existence of Financial Distress indicators, 13 of which had reached the stage of filing a request for postponement of debt payment obligations (PKPU) through the commercial court, and 15 of which had reached the stage of filing a bankruptcy statement application. From the special notes informed by the IDX, it is known that the level of possibility of Financial Distress is dominated by companies in the property and real estate industry sector, as well as financial services and investment.

The novelty of this research is to examine the effect of business strategy, supervisory effectiveness, and sustainable growth rate in predicting bankruptcy of companies classified in the special monitoring category of the Indonesia Stock Exchange with PKPU status or having negative equity, especially in the property and real estate industry. This research was conducted in the 2019-2023 period. Based on the above background, this study aims to test and prove how the influence of business strategy, supervisory effectiveness, and sustainable growth rate in predicting corporate bankruptcy. This research was conducted on companies included in the special monitoring category of the Indonesia Stock Exchange in April 2024, with PKPU status or having negative equity, especially in the property and real estate industry.

2. LITERATURE REVIEW

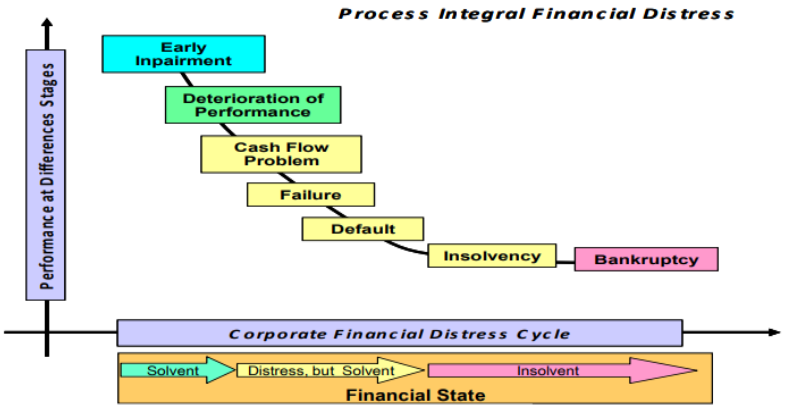
2.1. *Legitimacy Theory*

Legitimacy theory is one of the theories that can provide motivation to managers or companies in disclosing sustainable reports. This theory is very useful in analysing organisational behaviour, besides that legitimacy can also provide limitations to organisations or groups regarding social norms and values in paying attention to the environment. According to Susilawati (2015), this legitimacy theory is based on the view that the company in carrying out its business activities is bound by stakeholders. This reflects that the Company's survival ability is highly dependent on its identification ability to establish good relationships with stakeholders in order to increase value to survive in this environment. Thus, if at any time there is a mismatch, the legitimacy of the Company can be threatened (Taufik & Muliana, 2021). When there is a shift and the Company cannot meet stakeholder expectations, the Company's management as much as possible tries to legitimise its policies to reassure that the Company's business activities and performance are well received by stakeholders.

2.2. *Bankcruptcy Risk Theory*

The insolvency journey typically kicks off with an initial hit to the balance sheet caused by a drop in the quality of assets. This is followed by a downward spiral in performance leading to cash flow issues, preventing the company from meeting its obligations in the short and long term. Should the company's assets fall short of covering all

its commitments, it goes into a state of negative equity. At this point, the company is deemed insolvent and eventually goes bankrupt.



Source: Suwandi (2019)

Figure 2. Financial Distress Process

During the process of going bankrupt, a company may face financial difficulties leading to operational issues and eventually the declaration of insolvency. It is possible to anticipate the risk of bankruptcy using multiple discriminant analysis (MDA) and assigning a corresponding score. Various metrics like Z-score (Altman) and Zeta Score can help in forecasting bankruptcy, especially for public and manufacturing firms. Z-Score, meant for predicting bankruptcy, has its own limitations prompting Altman to introduce Z'-Score and Z"-Score as alternatives. When it comes to bankruptcy prediction, Z"-Score is believed to be more precise than Z-Score. The Zeta model boasts an accuracy rate of around 70%, making it a versatile tool suitable for both public and private enterprises.

Table 1. Z"-Score Indicator

Z" Score	
Z" = 6,65 X	Working Capital / Total Asset
3,26 X	Retained Earning / Total Assets
6,72 X	EBIT / Total Assets
1,05 X	Book Value of Equity / Book Value of Debt
Score	**Condition**
>2,60	Healthy
1,1 – 2,60	Grey Area
< 1,1	Bankcrupt

2.3. Signalling Theory

According to Brigham and Houston (2019), a signal is an action taken by company management that gives investors clues about how management perceives the company's

future. Companies with positive outlooks will avoid selling shares and will seek alternative sources of capital, such as taking on more debt than normal. On the other hand, companies with less promising prospects are more likely to sell shares. When a company announces a share issuance, it typically indicates that management is pessimistic about the company's future. If a company frequently offers new shares for sale, its share price will decrease because issuing new shares sends a negative signal that can depress the share price, even if the company's prospects are actually good.

Signalling theory is often associated with business theory in economics and management. This theory offers a wide range of important information about business behaviour and decision-making. This can certainly reduce the potential for inefficiency or market failure. Companies use policies, financial measures and business strategies to signal future prospects and financial health to investors to convey information about profitability and business growth prospects.

2.4. Business Strategy

Business strategy is a policy taken as a response to the conditions of a competitive business environment, which is then developed with the aim of outperforming competitors (Luu Thu, 2023).

$$ATO = \frac{Operating\ sales}{Average\ operating\ assets}$$

Business strategy is closely related to the strategy of maximising profit margins, either through superior products or distinctive products. In connection with this, the company endeavours to conduct constant product development through R&D (Research & Development).

2.5. Supervision Effectiveness

The process of monitoring tax administration and tax collection is carried out to effectively achieve certain objectives. The effectiveness of supervision in this context involves various aspects, including taxpayer compliance, efficiency of tax collection, and the quality of implementation of tax rules.

$$CETR = \frac{Tax\ Payment}{Profit\ before\ tax}$$

2.6. Sustainability Growth Rate

Achieving Sustainability Growth Rate can help the Company prevent excessive leverage. In addition, a company's SGR can also be used to determine whether the company still has the ability to repay all loans. Sustainable growth rate (SGR) can be proxied by:

$$SGR = ROE \times Retention\ Rate$$

2.7. Firm Size

The concept of company size is a method used to evaluate and gauge the magnitude of a company based on its total assets. Determining the company's size can be done by looking at various factors such as total sales, average sales, total assets, and average total assets. Companies with substantial total assets have the ability to maximise their performance using their asset base. Larger companies typically possess significant assets, high sales, skilled employees, advanced information systems, diverse product offerings, and a comprehensive ownership structure, necessitating a high level of transparency. As part of this research, firm size is regarded as a control variable and is determined by measuring the Ln Total Asset of each company.

3. RESEARCH METHODS

This study is focused on examining the link between business strategy, supervision effectiveness, and SGR in predicting the risk of bankruptcy. Utilising the quantitative panel data analysis method, the researcher aims to depict the data accurately and in line with established facts in a structured and systematic manner, exploring the connections among the variables of interest. The research utilises secondary data collected from sustainability reports, annual reports, and financial reports spanning from 2019 to 2023, with the target population being companies within the property and real estate sector listed in special monitoring due to negative equity, based on a note issued by the IDX in April 2024.

Table 2. Research Sample

No	Criteria	Sample Quantity
1	Property companies listed in the IDX special monitoring April 2024 Period	51
2	Property companies listed under special monitoring indicated by negative equity	-5
3	Issued financial statements 2019-2023	-20
4	Issued annual report 2019-2023	
Total		26

Source: Data processed, 2024

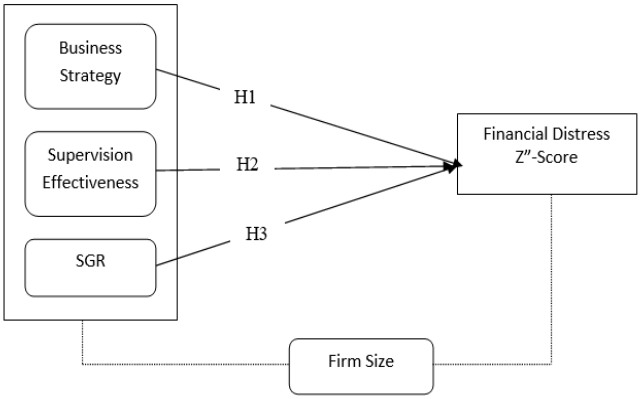


Figure 3. Research framework

According to the Visual Representation in Figure 3 of the Conceptual Framework, it illustrates how the researcher views the connection between different factors. The study aimed to investigate how Business Strategy, Supervision Effectiveness, and Sustainability growth rate impact Financial Distress.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Normality Test

This normality test is carried out with the aim of knowing and measuring whether the dependent and independent variable data in the panel data regression model have a normal distribution or not. This normality test is carried out with the Saphiro Wilk Test, with a significance level greater than α = 0.05.

Table 3. Shapiro Wilk Normality Test

```
. swilk e

                    Shapiro-Wilk W test for normal data

    Variable |   Obs        W         V         z       Prob>z
-------------+--------------------------------------------------
           e |   130    0.30302   71.776     9.616    0.00000
```

Total: STATA Edition Version 14, 2024

According to the findings from the W test, it has been revealed that the normality test value is 0.30302, which is greater than the significance level of α = 0.05. This suggests that the data in this study follows a normal distribution and is appropriate for testing.

4.1.2. Multicollinearity Test

The multicollinearity test is utilised to establish if there is a relationship among the independent variables within the research framework. A strong model should not exhibit flawless or nearly perfect correlation among the independent variables, as shown by the VIF value that should not exceed 10.

Table 4. Multicollinearity Test

```
. vif, uncentered

    Variable |       VIF       1/VIF
-------------+----------------------
      ln_SIZE |      1.04    0.966079
        CETR |      1.01    0.986419
         ATO |      1.01    0.986514
         SGR |      1.01    0.989291
-------------+----------------------
    Mean VIF |      1.02
```

Source: *Output* STATA *Version* 14, 2024

Table 4 shows the results that no independent variable has a VIF value of more than 10, which means that there are no symptoms of multicollinearity in the independent variables of the study.

4.1.3. Panel Data Model Selection

a. Pooled Least Square (PLS) Test

The hypothesis for the model is to reject H0: PLS if the probability F value is less than alpha, set at 0.05.

Table 5. Pooled Least Square (PLS) Test

Source	SS	df	MS	Number of obs	=	130
				F(4, 125)	=	4.82
Model	143868.527	4	35967.1317	Prob > F	=	0.0012
Residual	933209.408	125	7465.67527	R-squared	=	0.1336
				Adj R-squared	=	0.1058
Total	1077077.93	129	8349.44136	Root MSE	=	86.404

ZSCORE	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ATO	-.0630882	.0809613	-0.78	0.437	-.2233206	.0971443
CETR	-.0024186	.2206417	-0.01	0.991	-.4390959	.4342587
SGR	-.8965342	2.052667	-0.44	0.663	-4.959018	3.165949
ln_SIZE	-20.58325	4.893649	-4.21	0.000	-30.26839	-10.89811
_cons	588.594	134.609	4.37	0.000	322.1861	855.0019

Breusch and Pagan Lagrangian multiplier test for random effects

ZSCORE[KODE,t] = Xb + u[KODE] + e[KODE,t]

Estimated results:

	Var	sd = sqrt(Var)
ZSCORE	8349.441	91.37528
e	5316.166	72.91204
u	1354.903	36.80901

Test: Var(u) = 0

chibar2(01) = 15.29

Prob > chibar2 = 0.0000

Source: STATA output Version 14, 2024

In Table 5, it is evident that the probability F value of 0.0012 is less than the significance level α of 0.05. As a result, the null hypothesis stating that the PLS model is not effective is rejected, and the alternative hypothesis suggesting that the RE model is effective is accepted. Therefore, the Random Effect model is deemed as a more suitable research model compared to the Common Effect.

b. Chow Test

Table 6. Chow Test Results

Random-effects GLS regression — Number of obs = 130; Number of groups = 26

R-sq: within = 0.0050; between = 0.2462; overall = 0.1242 — Obs per group: min = 5; avg = 5.0; max = 5

corr(u_i, X) = 0 (assumed) — Wald chi2(4) = 10.50; Prob > chi2 = 0.0327

ZSCORE	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
ATO	.0271124	.0756539	0.36	0.720	-.1211665	.1753914
CETR	.0414755	.2046492	0.20	0.839	-.3596296	.4425806
SGR	-.5333773	1.894743	-0.28	0.778	-4.247006	3.180251
ln_SIZE	-20.58166	6.397279	-3.22	0.001	-33.1201	-8.043228
_cons	589.206	175.8832	3.35	0.001	244.4812	933.9307
sigma_u	36.809011					
sigma_e	72.912041					
rho	.20310137	(fraction of variance due to u_i)				

. hausman fe re

	(b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
ATO	.1160741	.0271124	.0889617	.014107
CETR	.0834722	.0414755	.0419967	.0285126
SGR	-.1510493	-.5333773	.382328	.1885492
ln_SIZE	1.756336	-20.58166	22.338	32.91901

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 42.27

Prob>chi2 = 0.0000

Source: Ausgabe STATA Version 14, 2024

According to the results of the Chow test as shown in Table 6, it can be inferred that the Prob> F value is 0.0000, indicating a rejection of the null hypothesis H0: PLS. Therefore, the fixed effect model is identified as the most suitable model for panel data regression.

c. Hausman Test

Table 7. Hausman Test Results

```
Fixed-effects (within) regression               Number of obs      =       130
Group variable: KODE                            Number of groups   =        26

R-sq:                                           Obs per group:
     within  = 0.0239                                         min =         5
     between = 0.4900                                         avg =       5.0
     overall = 0.0288                                         max =         5

                                                F(4,100)           =      0.61
corr(u_i, Xb)  = -0.3981                        Prob > F           =    0.6542

------------------------------------------------------------------------------
      ZSCORE |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         ATO |   .1160741   .0769579     1.51   0.135    -.0366082    .2687564
        CETR |   .0834722   .2066259     0.40   0.687    -.3264677    .4934121
         SGR |  -.1510493   1.904102    -0.08   0.937    -3.928733    3.626634
    ln_SIZE |   1.756336   33.53485     0.05   0.958    -64.77586    68.28853
       _cons |  -22.96559   920.0386    -0.02   0.980    -1848.296    1802.365
-------------+----------------------------------------------------------------
     sigma_u |  69.930076
     sigma_e |  72.912041
         rho |  .47913315   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(25, 100) = 3.02                     Prob > F = 0.0000
```

Source : *Output* STATA *Version* 14, 2024

According to the Hausman test, the finding indicates that the probability value of F = 0.0327 is less than the significance level of α = 0.05, leading to the rejection of the null hypothesis H0. Therefore, the model chosen in the Hausman test is the fixed effects mode.

Table 8. Panel Data Regression Model Test Results

Modelling Test	Prob F	Hypothesis	Results
PLS	0.0012	H0 rejected	RE
Chow test	0.0000	H0 rejected	FE
Hausman Test	0.0000	H0 rejected	FE

Source: Data processed, 2024

According to the findings of the PLS regression model in Table 8, as well as the outcomes of the Chow test and Hausman test, the fixed effect model emerges as the most optimal choice for this study.

Table 9. Panel data regression equation results

Z"SCORE	OLS	FE	RE
ATO	-0.0630882	.1160741	.0271124
CETR	-0.0024186	.0834722	.0414755
SGR	-0.8965342	-0.1510493	-0.5333773
Ln_SIZE	-20.58325	1.756336	-20.58166
_cons	588.594	-22.96559	589.206

Source: Data processed, 2024

In connection with the selection of the best regression model, namely the fixed effect model, Table 9 shows the multiple linear regression equation model formed, using a significance level of α = 0.05, the regression equation model is obtained as follows:

$$Z\text{”SCORE} = 0.1160\text{ATOit} + 0.08347\ \text{CETRit} - 0.1510\ \text{SGRit} + e$$

The equation above shows that the variables of business strategy and supervision effectiveness have a coefficient with a positive direction, while the Sustainability Growth Rate variable has a negative direction coefficient.

d. Robustness Test

The purpose of this rigorous examination is to detect heteroscedasticity and assess any discrepancies in the variance of residuals in the panel data regression model. It also aims to identify any autocorrelation or deviation in the regression model using panel data.

Table 10. Robustness test results

```
. xtgls ZSCORE ATO CETR SGR ln_SIZE

Cross-sectional time-series FGLS regression

Coefficients:  generalized least squares
Panels:        homoskedastic
Correlation:   no autocorrelation

Estimated covariances      =         1          Number of obs      =       130
Estimated autocorrelations =         0          Number of groups   =        26
Estimated coefficients     =         5          Time periods       =         5
                                                Wald chi2(4)       =     20.04
Log likelihood             = -761.5873          Prob > chi2        =    0.0005
```

ZSCORE	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
ATO	-.0630882	.0793891	-0.79	0.427	-.2186879	.0925116
CETR	-.0024186	.216357	-0.01	0.991	-.4264705	.4216333
SGR	-.8965342	2.012806	-0.45	0.656	-4.841561	3.048493
ln_SIZE	-20.58325	4.798617	-4.29	0.000	-29.98837	-11.17814
_cons	588.594	131.995	4.46	0.000	329.8886	847.2994

Source: STATA output Version 14, 2024

The data in Table 10 above does not occur heteroscedasticity symptoms in the panel data regression model and there is no deviation in the panel data model, so it can be concluded that in this study there are no autocorrelation symptoms.

4.1.4. Hypothesis Testing and Data Analysis

In this research, a regression model using panel data was employed to investigate the impact of the independent variables on the dependent variable. Based on the test results on the fixed effect model, simultaneous hypothesis testing can be done by looking at prob> F = 0.0000 < α = 0.05 in Table 10, which means that overall business strategy, supervision effectiveness and Sustainability Growth Rate have a significant effect in predicting bankruptcy in property & real estate companies, which are currently under special monitoring by the IDX.

Table 11. Analysis Statistics Result

```
Fixed-effects (within) regression               Number of obs      =       130
Group variable: KODE                            Number of groups   =        26

R-sq:                                           Obs per group:
     within  = 0.0239                                         min =         5
     between = 0.4900                                         avg =       5.0
     overall = 0.0288                                         max =         5

                                                F(4,25)            =    263.12
corr(u_i, Xb)  = -0.3981                        Prob > F           =    0.0000

                                              (Std. Err. adjusted for 26 clusters in KODE)
------------------------------------------------------------------------------
             |               Robust
      ZSCORE |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         ATO |   .1160741   .0138531     8.38   0.000     .0875431    .1446051
        CETR |   .0834722   .0043996    18.97   0.000     .0744112    .0925333
         SGR |  -.1510493   .0300317    -5.03   0.000    -.2129008   -.0891978
    ln_SIZE |   1.756336   5.470239     0.32   0.751    -9.509833    13.02251
       _cons |  -22.96559   149.9555    -0.15   0.880    -331.8048    285.8736
-------------+----------------------------------------------------------------
     sigma_u |  69.930076
     sigma_e |  72.912041
         rho |  .47913315   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Source: STATA output Version 14, 2024

As for the R-Square result of 0.49, which indicates that the independent variables, namely business strategy, supervision effectiveness and Sustainability Growth Rate, have an influence of 49% in predicting bankruptcy of property & real estate companies that have special monitoring status. And, the remaining 51% is influenced by other factors.

Table 12. Summary of Hypothesis Testing Results

Hypothesis		Estimate	P-Value	Conclusion
H1	Business Strategy affect bankruptcy prediction	8.38	0.0000	Supported (+)
H2	Supervision Effectiveness affect bankruptcy prediction	18.97	0.0000	Supported (+)
H3	Sustainability Growth Rate affect bankruptcy prediction	-5.03	0.0000	Supported (-)

Source: Data processed, 2024.

Based on the results of hypothesis testing in Table 12, H1, H2, and H3 are supported, which means that the variables of business strategy, supervision effectiveness and SGR have an effect in predicting bankruptcy.

Bankruptcy prediction analysis is carried out in the period 2019 - 2023 in property and real estate companies.

Table 13. Prediction Result

No	Company	Bankruptcy Predictionn
1	JGLE.X	BANKCRUPT
2	LAND.X	GREY AREA
3	CLAY.X	BANKCRUPT
4	BKSL.X	HEALTHY
5	ELTY.X	GREY AREA
6	HRME.X	GREY AREA
7	ROCK.X	HEALTHY
8	TRUE.X	HEALTHY
9	HOPE.X	HEALTHY
10	POSA.EX	BANKCRUPT
11	DADA.X	BANKCRUPT
12	PUDP.X	HEALTHY
13	ARTA.X	HEALTHY
14	REAL.X	HEALTHY
15	TARA.X	HEALTHY
16	PLIN.X	HEALTHY
17	GMTD.X	HEALTHY
18	RODA.X	HEALTHY
19	RBMS.X	GREY AREA
20	LCKM.X	HEALTHY
21	SINI.EX	BANKCRUPT
22	BIPP.X	GREY AREA
23	BAPI.X	HEALTHY
24	MINA.X	HEALTHY
25	KOTA.X	HEALTHY
26	PPRO.X	BANKCRUPT

Source: data processed, 2024

Based on Table 13, where the results show that, of the 26 research samples, there are 6 companies predicted to be in the bankruptcy area, 5 companies are in the grey area, and the remaining 15 companies still reflect a healthy condition even though they have been listed on the IDX special monitoring board for the April 2024 period.

4.2. Discussion

4.2.1. Effect of Business Strategy on Financial Distress

In testing the first hypothesis, this study tests whether business strategy has an effect in predicting bankruptcy of property & real estate companies. The results showed that the P>l t value of the business strategy variable had a significant positive effect in predicting bankruptcy. This can be seen that Prob t value < α = 0.05, thus H1 is accepted. The results obtained in this study are in line with research conducted by Agustia et al (2020), that business strategy affects the bankruptcy of a company. Business strategy is closely related to the Company's efforts to increase profit margins. If the Company's business strategy is

carried out well, the better the Company's chance of creating a good GMV, in order to survive and minimise the potential for bankruptcy.

4.2.2. Effect of Supervisory Effectiveness on Financial Distress

In testing the second hypothesis, this study examines supervision effectiveness in predicting bankruptcy. The results showed that supervision effectiveness in terms of tax management has a significant positive effect in predicting Financial Distress. Prob t stat test value < α = 0.05, this means H2 is accepted. However, this study contradicts the stewardship theory, which states that tax avoidance has no effect on company risk, this is because the action is considered by management not to indicate the need to survive. However, in this study, tax avoidance efforts have a positive influence in predicting bankruptcy. Tax avoidance efforts are predicted to result in the risk of a decrease in the Company's solvency, which can hinder the growth and sustainability of the business in the Company, so that gradually, it can increase the risk of bankruptcy if the Company continues to be in insolvency.

4.2.3. Effect of Sustainability Growth Rate on Financial Distress

In testing the third hypothesis, which tests whether the Company's sustainability growth rate can predict bankruptcy of property companies. The results showed that the value of P>l t l is smaller than α = 0.05, which means that the Sustainability Growth Rate has a significant effect on bankruptcy prediction in property and real estate companies. The direction of the influence of the SGR variable is negative, where if the company is in a good condition of sustainability growth rate, then there is minimal risk that the company will experience bankruptcy. Conversely, if the company is in a condition that does not show growth in sustainability both in terms of operations, business and the environment, then there is a high probability of the company's risk of bankruptcy in the next few periods.

5. CONCLUSION

Based on the results and discussion, the conclusions that can be drawn in this study, that business strategy, supervision effectiveness and Sustainability Growth Rate both partially, and simultaneously have a significant effect, in predicting the bankruptcy of property and real estate companies, which are included in the IDX special monitoring board for the 2024 period. This study tries to use the firm size variable as a control variable, but this variable shows the result that company size has no significant effect in predicting bankruptcy. Therefore, it is recommended for future researchers to choose other variables such as intellectual capital, analysis of stock price movements or other variables that might strengthen bankruptcy prediction.

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