

THE EFFECT OF OWNERSHIP CONCENTRATION AND PROPORTION OF INDEPENDENT COMMISSIONERS ON FINANCIAL DISTRESS

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Abstrak

Penelitian ini dilakukan untuk menguji dan memaparkan bukti empiris mengenai pengaruh konsentrasi kepemilikan dan proporsi komisaris independen terhadap *financial distress*. Penelitian dilakukan pada perusahaan sektor *property* dan *real estate* yang terdaftar di Bursa Efek Indonesia (BEI) pada periode 2020-2025. Metode kuantitatif digunakan dalam penelitian ini, dengan data sekunder yang diperoleh dari laporan keuangan tahunan yang telah diaudit dan *annual report* perusahaan. Populasi penelitian ini terdiri dari 96 perusahaan, sementara sampel yang digunakan sebanyak 62 perusahaan yang dipilih menggunakan metode *purposive sampling*. Data dianalisis menggunakan analisis regresi linear berganda dengan alat bantu analisis IBM SPSS versi 26. Hasil penelitian ini membuktikan bahwa konsentrasi kepemilikan dan proporsi komisaris independen berpengaruh terhadap *financial distress*.

Kata Kunci: Konsentrasi Kepemilikan, Proporsi Komisaris Independen, *Financial Distress*

Abstract

This study was conducted to test and present empirical evidence regarding the influence of ownership concentration and the proportion of independent commissioners on financial distress. The study was conducted on companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the period 2020–2025. A quantitative method was used in this study, with secondary data obtained from audited annual financial statements and company annual reports. The study population consisted of 96 companies, while the sample comprised 62 companies selected using purposive sampling. The data were analyzed using multiple linear regression with IBM SPSS version 26. The results of this study demonstrate that ownership concentration and the proportion of independent commissioners have an effect on financial distress.

Keywords: Ownership Concentration, Proportion of Independent Commissioners, Financial Distress

A. INTRODUCTION

Financial distress can range from short-term liquidity problems to the worst case scenario of financial distress, bankruptcy (Humairoh & Nurulita, 2022). This situation is generally not caused solely by external factors, but also by weak oversight of management performance and a lack of transparency in financial information provided to shareholders. As a result, financial problems that could actually be detected early on are often addressed too late, allowing them to escalate into a more serious crisis. Ultimately, all parties involved in the company will be significantly affected if the company experiences financial distress, so companies in a situation of financial distress must be more thorough in assessing their financial condition (Hamzah & Annisa, 2022).

Property and real estate have been perhaps one of the sectors worse visibly impacted from these issues, as evidenced by the Indonesia Stock Exchange (IDX) official delisting of PT Hanson International Tbk on July 21, 2025, after the companies was declared bankrupt by the Commercial Court for failing to fulfill their settlement agreements under the Suspension of Payments (PKPU) process following financial distress. These problems began in 2019 when the company was found to have manipulated its financial statements by recording fictitious revenue of Rp613 billion, and was also involved in the illegal collection of costumer funds. The situation was further exacerbated by the involvement of Benny Tjokrosaputro, the company's owner, as a defendant in the 2020 Jiwasraya and Asabri corruption cases, which had detrimental impact on PT Hanson International Tbk's credibility and reputation among investors. This shows how the inability of corporate governance to detect problems early can lead to financial distress and ultimately bankruptcy. This situation emphasizes the urgent necessity of studying financial distress and the factors that influence it in depth.

A corporate governance factor suspected of influencing financial distress is ownership concentration. Ownership concentration means that a company's shares are concentrated or owned by a small group of shareholders who have the right to oversee management performance, which can reduce management conflicts and thereby improve company performance, potentially minimizing financial distress (Ma'dika & Utomo, 2024).

However, excessively high ownership concentration can also lead to conflicts of interest and the sidelining of minority shareholder's interest. Thus, ownership concentration has been related to a firm's financial distress.

Another corporate governance concern is the proportion of independent commissioners, which is believed to influence financial distress. The Financial Services Authority, through its regulation No. 33/2014, has established a minimum requirement for the composition of independent commissioners within a corporation, namely 30% of their total number (Anam, 2023). The greater number of independent commissioners will provide more effective oversight of management performance, thereby minimizing the potential for financial distress. Independent commissioners are able to exercise more objective and critical oversight because they have no conflict of interest with management.

Agency Theory

Agency theory discusses relationship of agency as an contract where principal as grantor of authority, who delegates some his authority to make decisions to an agent to act on the principal's behalf (Jensen & Meckling, 1976). The principal is described as the shareholders, while the agent is described as management. Wulandari et al. (2021) state that, based on agency theory, if companies face financial difficulties, managers might hide the situation by manipulating company financial statements. Consequently, if the company's actual financial condition is poor, shareholders are unable to take corrective action early on, which might otherwise save the company from financial distress. Agency conflicts arising from information asymmetry and differences in interest are essentially resolvable through supervisory functions at the board level, whether through the effectiveness of concentrated ownership or the proportion of independent commissioners capable to acting objectively without conflicts of interest.

Financial Distress

Financial distress means to a condition when a company experiences the inability to meet its financial commitments, either through an inability to make promised payments or because projected cash flows indicate future difficulties in meeting its commitments (Rakhmawati et al., 2026). This problem typically begins with elevated pressure on

liquidity, leading to a value decline in assets, which results in inability fulfilling financial commitments (Maura et al., 2025). Weak corporate governance mechanism are one of the internal causes of financial distress, which allow management to engage in opportunistic behavior that can harm the company.

Ownership Concentration

Ownership concentration relates towards the degree about distribution of share ownership within a company (Hendi & Sitorus, 2023). Majority shareholders are responsible for overseeing actions of the firms' management to prevent fraudulent reporting related to their companies (Pratomo & Nuraulia, 2021). According to agency theory, the concentration of ownership in hands of a several major shareholders, these major shareholders automatically possess greater power to oversee or direct management, effectively decreasing agencies costs (Shah et al., 2025). However, agency theory also states that a concentrated ownership structure can lead disputes of interest the larger and smaller shareholders (Nuzul & Diyanty, 2024). Prakoso et al. (2023) state that concentrated ownership tends to ignore the interest of minority shareholders, with many policies made simply to fulfill the interest of majority shareholders, resulting in corporate governance practices often being ignored. This situation gives way to agency conflicts that can disrupt firms' effectiveness also increase likelihood of financial distress. Research carried out from Gerged et al. (2023) reveals that ownership concentration affect financial distress significantly and positively, caused from the greater control rights of majority shareholders in directing company policies to suit their interest. Meanwhile, Mariano et al. (2021) discovered that ownership concentration significantly negatively affected financial distress, implying high ownership concentration may encourage controlling shareholders to carry out more effective oversight, thereby reducing the chances of financial distress.

H1: Ownership concentration has an effect on financial distress

Proportion of Independent Commissioners

An independent commissioners serves on the board without any link to directors, other commissioners, or controlling shareholders, free from business or personal ties that could compromise impartial, company focused decision making (Malik, 2022). Based on agency

theory, independent commissioners play a bridging role between principals and agents, working to lessen information imbalances within the organization (Wulandari et al., 2021). Independent commissioners help reduce financial distress risk by limiting information asymmetry between shareholders and management (Aisyah & Afriyenti, 2022). A greater proportion of independent commissioners enhances board oversight, enabling opportunistic management behavior linked to financial distress to be caught and corrected early on. The findings of Indarti et al. (2021) demonstrate a significant negative effect of independent commissioners on financial distress, implying that stronger oversight functions resulting from their presence serve to protect firms from distress-related risks. Meanwhile, research conducted by Sari & Setiawan (2024) found that independent commissioners has a significant positive effect on financial distress, suggesting that increasing their proportion on the board actually corresponds with heightened distress risk.

H2: Proportion of independent commissioners has an effect on financial distress

B. METHOD

To examine the effect of ownership concentration and the proportion of independent commissioners on financial distress, this research applies a quantitative method. This research relies on secondary data, sourced from audited annual financial statements as well as annual reports published on the IDX or the company's official websites. Analysis was conducted through multiple linear regression using IBM SPSS version 26. Samples were determined through purposive sampling with the criteria below:

Table 1. Sampling Criteria

No	Sample Criteria	Amount
1.	Property and real estate sector companies listed on the IDX during the 2020-2025 period	96
2.	Property and real estate sector companies that were consistently listed on the IDX throughout the research period from 2020-2025	(16)
3.	Property and real estate sector companies that published audited annual financial statements and annual reports on the IDX or the company's official websites during the research period from 2020-2025	(18)
Total sample		62
Number of observations data 2020-2025		372
Total outlier data		(70)
Amount of research data		302

Operational Definition of Variables

Table 2. Operational Definition of Variables

No	Variable	Formula	Scale
1.	Financial Distress	$Z = 6,56X_1 + 3,26X_2 + 6,72X_3 + 1,05X_4$	Ratio
2.	Ownership Concentration	$OC = \frac{\text{Largest shareholders}}{\text{Number of outstanding shares}}$	Ratio
3.	Proportion of Independent Commissioners	$PIC = \frac{\text{Number of independent commissioners}}{\text{Total board of commissioners}} \times 100\%$	Ratio

C. RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 3. Result of Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
KK (X1)	302	0,05	0,97	0,5047	0,21724
PKI (X2)	302	0,25	0,75	0,4337	0,11093
FD (Y)	302	-3,70	12,30	4,0308	3,09815
Valid N (listwise)	302				

Source: The data were analyzed using IBM SPSS 26

Normality Test

**Table 4. Result of Normality Test
One-Sample Kolmogorov-Smirnov Test**

			Unstandardized Residual
N			302
Asymp. Sig. (2-tailed)			0,044 ^c
Monte Carlo Sig. (2-tailed)	Sig.		0,368 ^d
99% Confidence Interval			
	Lower Bound		0,355
	Upper Bound		0,380

Source: The data were analyzed using IBM SPSS 26

As presented in Table 4, the Monte Carlo Sig. (2-tailed) is 0,368 (Sig. > 0,05), confirming normal distribution of the residual variable and the research data.

Multicollinearity Test

Table 5. Result of Multicollinearity Test

Coefficients^a			
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	KK (X1)	1,000	1,000
	PKI (X2)	1,000	1,000

a. Dependent Variable: FD (Y)

Source: The data were analyzed using IBM SPSS 26

Table 5 shows that every variables has a tolerance values $> 0,1$ and VIF (Variance Inflation Factor) values < 10 . Therefore, indicating that the regression model in this research does not have a problem with multicollinearity.

Heteroscedasticity Test

Table 6. Result of Heteroscedasticity Test

Coefficients^a					
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	T Sig.
1	(Constant)	2,278	0,497		4,586 0,000
	KK (X1)	0,700	0,489	0,082	1,431 0,153
	PKI (X2)	-0,575	0,958	-0,035	-0,600 0,549

a. Dependent Variable: ABS_RES

Source: The data were analyzed using IBM SPSS 26

Table 6 shows that the significance values for the ownership concentration variable (X1) are 0,153 and for the proportion of independent commissioners (X2) are 0,549. Thus, no heteroscedasticity is found in the regression model, as all variables show significance values above the significance threshold of 0,05.

Autocorrelation Test

Table 7. Result of Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,231 ^a	0,053	0,047	2,00863	1,913
a. Predictors: (Constant), PKI (X2), KK (X1)					
b. Dependent Variable: FD (Y)					

Source: The data were analyzed using IBM SPSS 26

Table 7 shows that the Durbin-Watson value for this research is 1,913 with a dU value of 1,82541 and a dL value of 1,79901. Since $dU < DW < 4-dU$ ($1,82541 < 1,913 < 2,17459$), it can be concluded that autocorrelation is not present.

F Test

Table 8. Result of F Test

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67,687	2	33,843	8,388	0,000 ^b
	Residual	1202,305	298	4,035		
	Total	1269,991	300			
a. Dependent Variable: FD (Y)						
b. Predictors: (Constant), PKI (X2), KK (X1)						

Source: The data were analyzed using IBM SPSS 26

As shown in table 8 significant value of 0,000 is below than 0,05 indicating that the regression model is considered to fulfill the fit criteria, which implies that there is a possibility that one or all of the independent variables will show a significant partial effect in the t-test.

Hypothesis Test (t-Test)

Table 9. Result of t-Test

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,981	0,220		4,468	0,000
	KK (X1)	2,733	0,832	0,186	3,286	0,001
	PKI (X2)	-3,003	1,348	-0,126	-2,227	0,027

a. Dependent Variable: FD (Y)

Source: The data were analyzed using IBM SPSS 26

Table 9 present the t-test results, which are interpreted as follows:

1. Ownership concentration yielded a p-value of 0,001 lower than 0,05 significance level. Therefore, ownership concentration is shown to have a significant partial effect on financial distress, and **H1 is accepted**. More concentrated ownership among controlling shareholders tends to lead companies toward suboptimal financial decisions, thereby increasing the probability of financial distress. This finding aligns with agency theory, which holds that high ownership concentration fosters disputes of interest involving majority and minority shareholders, due to controlling shareholders dominant control rights. This control is reflected both through the selection of board members and executives to fulfill their interests (Farooque et al., 2020) and by policies of distributing large dividends without considering the company's financial condition (Tantania et al., 2023). Consequently, majority shareholders interest dominate corporate decisions making, while minority shareholders have little power to reject decisions harmful to the company's finances, increasing financial distress risk. This is consistent with Gerged et al. (2023), who found a significant positive effect of ownership concentration on financial distress.
2. The proportion of independent commissioners shows a significance level of 0,027 which is lower than 0,05. Therefore, the proportion of independent commissioners is shown to have a significant partial effect on financial distress, and **H2 is accepted**. A

higher proportion of independent commissioners within a firm, the more effective the oversight mechanism will be in preventing opportunistic actions by management that could lead to financial distress. This finding aligns with agency theory, suggesting that independent commissioners function as a bridge between agents and principals, who monitor management policies and actions to lessen agency conflicts and information asymmetry. This is because independent commissioners have the ability to perform their oversight functions without being influenced by personal interests that could blur the objectivity of their assessments. Therefore, having an appropriate number of independent commissioners is a key role in determining how effective corporate governance in maintaining a company's financial health. These findings are consistent with Indarti et al. (2021), who found a significant negative effect of independent commissioners on financial distress.

R² Determination Coefficient

Table 10. Result of R² Determination Coefficient Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,231 ^a	0,053	0,047	2,00863
a. Predictors: (Constant), PKI (X2), KK (X1)				
b. Dependent Variable: FD (Y)				

Source: The data were analyzed using IBM SPSS 26

As shown in Table 10, the Adjusted R-Square value is 0,047 or 4,7%, meaning that ownership concentration and the proportion of independent commissioner are collectively able to explain 4,7% of the variation in financial distress. Meanwhile other factors outside this research account for the remaining 95,3%. Thus, it can be concluded that limited predictive ability of the independent variables.

D. CONCLUSIONS

The research findings ultimately show that financial distress is significantly and positively affected by ownership concentration. More concentrated ownership among

controlling shareholders tends to lead companies toward suboptimal financial decisions, thereby increasing the probability of financial distress. The proportion of independent commissioners significantly and negatively effect on financial distress. A higher proportion of independent commissioners within a firm, the more effective the oversight mechanism will be in preventing opportunistic actions by management that could lead to financial distress.

E. SUGGESTIONS

Property and real estate sector companies in Indonesia should manage ownership concentration cautiously, enhance the function of independent board members, and reinforce overall corporate governance to mitigate financial distress risk. Future research should expand beyond the property and real estate sectors and extend the study period to yield more representative result.

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