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Intellectual Capital and Working Capital Management as Determinants of Financial Distress and Their Implications for Stock Returns

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Abstract

This study aims to empirically prove the influence of intellectual capital and working capital management on stock returns of technology sector companies listed on the Indonesia Stock Exchange through financial distress. The population in this study consisted of technology sector companies listed on the Indonesia Stock Exchange in 2021-2023, totaling 29 units. The number of samples was determined using a purposive sampling technique to obtain 24 companies that met the criteria. Data analysis used SEM (Structural Equation Modeling) assisted by Stata 14 software. The results of the study showed that intellectual capital and working capital management had a negative effect on financial distress, intellectual capital and working capital management did not affect stock returns, financial distress had a negative effect on stock returns, intellectual capital and working capital management positively affected the stock returns of technology sector companies listed on the Indonesia Stock Exchange in 2021-2023 through financial distress.

Keywords: *Intellectual Capital; Working Capital Management; Financial Distress; Stock Returns.*

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INTRODUCTION

The rapid growth of startups and technology companies in Indonesia has the potential to create thousands of jobs, providing opportunities for young people to develop and contribute to national economic growth (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2023). While technology companies have made significant contributions to the Indonesian economy, they are also facing significant challenges. Data from the Indonesia Stock Exchange (IDX) shows that the IDX Technology Sector index has fallen 30.06% year to date (YtD), making it the worst performing sectoral index throughout 2024 (Nityakanti, 2024b). The continued decline in stock prices has led to the lowest stock returns for technology companies in the past two years, as shown in Table 1 below.

Table 1. Industrial Sector Stock *Returns* on the Indonesia Stock Exchange 2022-2023

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No	Index Code	Closing Stock Price			Stock *Returns*		Average Stock *Return*
		2021	2022	2023	2022	2023	
1	Technology Sector	8,994.438	5,162.043	4,435.607	-42.61%	-14.07%	-28.34%
2	Consumer Cyclicals Sector	900.421	850.900	821.421	-5.50%	-3.46%	-4.48%
3	Sector Properties & Real Estate	773.062	711.245	714.178	-8.00%	0.41%	-3.79%
4	Sector Financials	1,526.859	1,414.925	1,458.316	-7.33%	3.07%	-2.13%
5	Sector Healthcare	1,420.068	1,564.975	1,376.160	10.20%	-12.07%	-0.93%
6	Sector Transportation & Logistic	1,599.384	1,661.938	1,601.508	3.91%	-3.64%	0.14%
7	Sector Basic Materials	1,234.381	1,216.126	1,307.468	-1.48%	7.51%	3.02%
8	Sector Industrials	1,036.692	1,174.339	1,093.763	13.28%	-6.86%	3.21%
9	Sector Consumer Non-Cyclicals	664.131	716.557	722.402	7.89%	0.82%	4.35%
10	Infrastructure Sector	959.269	868.641	1,570.032	-9.45%	80.75%	35.65%
11	Energy Sector	1,139.499	2,279.547	2,100.857	100.05%	-7.84%	46.10%

Source: IDX (2024) , processed data.

Table 1 shows that in the past three years since the Indonesia Stock Exchange officially implemented the new industrial sector classification, the IDX Industrial Classification (IDX-IC), on January 25, 2021, the technology sector has experienced the largest decline in stock returns. The sole component that shapes stock returns is stock price, as stock returns are calculated by subtracting the current stock price from the previous period's stock price, then dividing by the previous period's stock price (Novitasari & Bagana, 2023).

Stock returns are influenced by various factors. The results of constructing and visualizing a bibliometric network using the VOSviewer application based on the Scopus-indexed article database obtained from the Publish or Perish application show the results as shown in Figure 1 below.

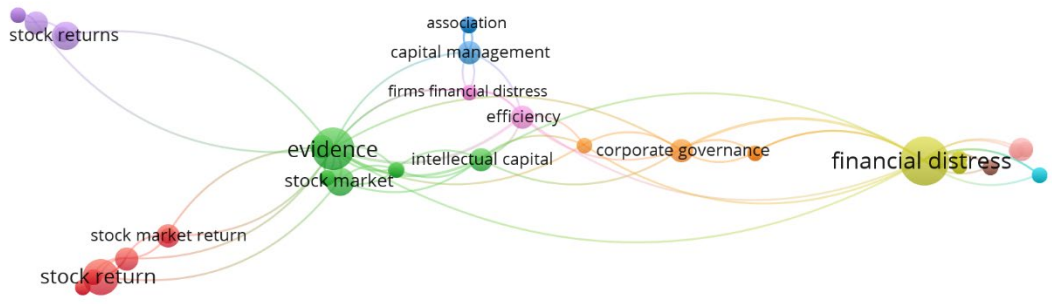

Figure 1. *VOSviewer* Mapping Results

Based on Figure 1, the variables related to stock returns that will be studied further are financial distress, intellectual capital, and working capital management which are related to capital management.

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Signaling Theory explains the elements influencing stock returns. Information about financial difficulties is one of the negative signals a company conveys through its financial reports. Research by Fachrudin & Ihsan (2021) uses Signaling Theory as the underlying theory for the influence of financial distress on stock returns. Financial distress, a factor used to assess bankruptcy risk, is characterized by poor monetary conditions and a continuous decline in performance over three consecutive periods (Nurcahyono et al., 2023). Several large technology companies in Indonesia, such as GOTO and BUKA, continued to record losses in 2023. A sustained decline in profits or a company experiencing losses is a sign of financial problems (Matahari et al., 2022).

Financial distress is negative news for stakeholders. Therefore, when a company experiences financial distress, investors and potential investors will avoid investing in the entity, which will reduce stock demand. This decrease in stock demand ultimately leads to lower or smaller stock returns. Consequently, financial distress negatively impacts stock returns. Previous research on the effect of financial distress on stock returns has been inconsistent. Research by Feren & Bangun (2019), Fachrudin & Ihsan (2021), Wijaya et al. (2022), and Elviana & Ali (2022) shows that financial distress negatively impacts stock returns, while research by Rahnaen et al. (2024) shows that financial distress has no effect on stock returns.

VOSviewer mapping results and previous research indicate that stock returns and financial distress are influenced by intellectual capital (Maharani & Narsa, 2023 ; Shahwan & Habib, 2020 ; Nasution & Dinarjito, 2023 ; Nurcahyono et al., 2023). Based on Signaling Theory, intellectual capital acts as a positive signal that can enhance competitive advantage and entity performance. Intellectual capital is a rare resource that is optimized to build competitive advantage using human, structural, and relational perspectives (Boubaker et al., 2020). Intellectual capital supports companies in improving competitive advantage, performance, and ultimately increasing their stock returns.

Besides influencing stock returns, intellectual capital also impacts financial distress. The influence of intellectual capital on financial distress is based on Resource-Based Theory (RBT) (Nasution & Dinarjito, 2023). RBT, a theory proposed by Wernerfelt (1984) , explains that a business that owns, manages, and utilizes important strategic assets (both tangible and intangible) will excel in competitive markets and achieve profitable financial results.

Based on RBT, intellectual capital fulfills the qualities of a unique asset to build competitive advantage for an entity by generating added value through improved organizational performance. Intellectual capital, which consists of three components, can empirically improve a company's innovation performance, thereby minimizing the risk of bankruptcy (Nurcahyono et al., 2023). Technology companies, seen from their operational characteristics, are highly dependent on intellectual capital. The implementation of this intellectual capital should be able to support companies in increasing stock returns and avoiding financial distress. However, in reality, the

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technology sector listed on the IDX is still facing declining stock returns and is hit by financial difficulties, such as PT GoTo Gojek Tokopedia Tbk (GOTO) and PT Bukalapak.com Tbk (BUKA), which are still recording losses in 2023 (Nityakanti, 2024a).

Previous research results have been inconsistent. Research by Kusumastuti et al. (2022), Maharani & Narsa (2023), and Safitri et al. (2024) showed that intellectual capital has a positive impact on stock returns, while research by Agustina et al. (2024) and Manda & Murtanto (2024) showed that intellectual capital has no effect on stock returns. Research by Shahwan & Habib (2020), Nasution & Dinarjito (2023), and Nurcahyono et al. (2023) showed that intellectual capital has a negative effect on financial distress, while research by Wijayanti & Achyani (2023) and Sapitri et al. (2023) showed that intellectual capital has no effect on financial distress.

The next variable influencing stock returns and financial distress is working capital management. Working capital management is a crucial area of financial and organizational management because it directly impacts an entity's liquidity and profitability (Salehi et al., 2019). Appropriate working capital management, based on Signaling Theory, provides a positive signal, suggesting that company management is capable of managing working capital effectively and efficiently. This leads to increased investor and potential investor interest in investing, leading to increased stock demand, which in turn leads to increased stock returns. Appropriate working capital management, based on RBT, provides an entity with the capability to manage resources effectively and efficiently. This, in turn, strengthens the company's competitive advantage and financial performance, ultimately leading to a reduction in financial distress.

Technology companies in Indonesia have ineffective working capital management practices. These companies are notorious for cash-burning strategies, such as Shopee and Tokopedia, which employ cash-burning tactics to offer significantly lower product prices (Mardiansyah, 2023).

Previous research findings on the effect of working capital management on stock returns and financial distress have been inconsistent. Research by Dewi & Yodawati (2020), Caroline (2020), and Maharani & Narsa (2023) showed a positive effect of working capital management on stock returns, while research by Salehi et al. (2019), Santhi et al. (2022), and Purwanti (2022) showed no effect of working capital management on stock returns. Research by Onchangwa (2019), Muigaii & Nasieku (2021), and Habib & Kayani (2022) showed a negative effect of working capital management on financial distress, while research by Sapitri et al. (2023) showed no effect of working capital management on financial distress.

The issues and inconsistencies in previous research outputs highlight the need for further research on intellectual capital and working capital management, particularly on financial distress and its impact on stock returns. Previous studies have only examined the direct effect of intellectual capital and working capital management on financial distress or stock returns, and then the effect of financial distress on stock

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returns. This study creates a new model involving the mediation of financial distress on the effect of intellectual capital and working capital management on stock returns. This study aims to determine the effect of intellectual capital and working capital management on financial distress, the effect of intellectual capital and working capital management on stock returns, the effect of financial distress on stock returns, and the effect of intellectual capital and working capital management on stock returns through financial distress.

METHODOLOGY

The type of research used is associative quantitative research, which is research that examines the relationship between two or more variables (Sugiyono, 2020). The relationship used in this study is a causal relationship, namely a cause-and-effect relationship, consisting of an independent variable or influencing variable and a dependent variable or influenced variable (Sugiyono, 2020).

The population in this study was 29 technology sector companies listed on the Indonesia Stock Exchange between 2021 and 2023. This study used a purposive sampling technique, which involves selecting samples based on specific criteria (Sugiyono, 2020). Based on the sample criteria, the following is a breakdown of the sample size.

Table 2. *Number of Research Samples*

No.	Sample Criteria	Amount
1.	Population (Technology sector companies listed on the Indonesia Stock Exchange from 2021 to 2023)	29
2.	Researchers were unable to find financial reports of technology sector companies listed on the IDX for 2021-2023 using the rupiah currency.	(5)
3.	The researcher was unable to find all the data used in this study.	(0)
	Sample	24
	Number of Observations (24 x 3 years)	72

The research variables consist of stock returns as the dependent variable, financial distress as the intervening variable, intellectual capital and working capital management as the independent variables, and Good Corporate Governance and company size as the control variables.

Stock returns are measured based on the research formula of Setyawati & Irwanto (2020):

$$\frac{Pt - Pt_{-1}}{Pt_{-1}}$$

Information:

Pt = share price in year t

Pt_{-1} = stock price in year t-1

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Financial distress is measured using the Altman Z-score according to research by Mustika et al. (2018).

$$Z = 6,56X1 + 3,26X2 + 6,72X3 + 1,05X4$$

Where;

$$X1 = \frac{\text{Current assets} - \text{Current liabilities}}{\text{Total assets}}$$

$$X2 = \frac{\text{Retained Earnings}}{\text{Total assets}}$$

$$X3 = \frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Total assets}}$$

$$X4 = \frac{\text{Book value of equity}}{\text{Total Liabilities}}$$

Intellectual capital is measured using VAIC, which consists of VACA, VAHU, and STVA, based on research by Mustika et al. (2018). Working capital management is measured using the working capital turnover proxy, referring to the formula used in the research by Gea et al. (2021). Good Corporate Governance in this research is measured using the institutional ownership proxy, in accordance with research by Nurhadimah & Paramita (2024). Company size in this research is calculated using Ln total assets, referring to research by Nurhadimah & Paramita (2024).

This study used a documentation method to collect data on stock returns, financial distress, intellectual capital, working capital management, good corporate governance, and the size of technology sector companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023. Secondary data was obtained through financial reports and/or annual reports.

Data analysis was performed by grouping data by variable, tabulating the data, presenting the data for each variable, performing calculations to answer the problem formulation, and testing the hypotheses. The analysis was conducted using Stata software version 14 with a descriptive statistical approach and Structural Equation Modeling (SEM).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical testing was conducted to assess the reasonableness of data distribution. All data related to the study were grouped for objective analysis and interpretation. This testing provides an overview of each research variable through the lowest, highest, average (mean), and standard deviation values for all variables. Table 3 shows the results of this study's descriptive statistical testing.

Table 3. *Descriptive Statistical Analysis*

Variables	Obs	Mean	Std. Dev.	Min	Max
Intellectual Capital (X1)	72	0.625	4,461	-9,662	10,947

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Working Capital Management (X2)	72	2,468	7,786	-16,553	19,027
GCG (X3)	72	0.463	0.229	0.06	0.894
Company Size (X4)	72	27,206	1,844	23,171	30,942
Financial Distress (Y1)	72	4,730	3,189	-1,324	13,148
Stock Return (Y2)	72	-0.186	0.452	-0.863	1,164

Source: Stata *output* (2024).

Based on the results of the descriptive statistical analysis, four variables—GCG, company size, financial distress, and stock returns—have average values above the standard deviation, indicating an even distribution of data values. Two variables—intellectual capital and working capital management—have average values below the standard deviation, indicating an uneven distribution of data values.

Normality Test

The data normality test aims to determine whether confounding variables have a normal distribution. A good research model has a normal or near-normal data distribution. This study used the Shapiro-Francia test to test normality. Normally distributed data are indicated by a Prob value > 0.05 (Ghozali, 2018). The results of the normality test are presented in Table 4 below.

Table 4. *Initial Normality Test*

No.	Variables	Prob>chi2
1.	Intellectual Capital (X1)	0.525
2.	Working Capital Management (X2)	0.622
3.	GCG (X3)	0.179
4.	Company Size (X4)	0.284
5.	Financial Distress (Y1)	0.058
6.	Stock Return (Y2)	0.021

Source: Stata *output* (2024).

Table 4 shows that the Prob>chi2 value for the stock return variable is still below 0.05, indicating that the stock return data distribution is not normal. Based on this, a data transformation mechanism must be implemented based on the suggestions provided by the Stata application. The use of the syntax ladder showed that no data transformation formula could improve the Prob>chi2 value of the stock return, so outliers were eliminated. Stata application indicated that there was one outlier in the stock return data, number 40, so it was eliminated.

The results of the normality test after eliminating outlier data are presented in Table 5 below.

Table 5. *Final Normality Test*

No.	Variables	Prob>chi2
1.	Intellectual Capital (X1)	0.582
2.	Working Capital Management (X2)	0.549

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3.	GCG (X3)	0.218
4.	Company Size (X4)	0.249
5.	Financial Distress (Y1)	0.058
6.	Stock Return (Y2)	0.063

Source: Stata *output* (2024).

Table 5 shows that Prob>chi2 for all variables has a value above 0.05, so it is concluded that the data for all variables is normally distributed.

Multicollinearity Test

The multicollinearity test evaluates whether the research model identifies a relationship between the independent variables. Data is considered free of multicollinearity if the correlation value is below 0.8 (Ghozali, 2018). The results of the multicollinearity test are presented in Table 6 below.

Table 6. *Multicollinearity Test*

No.	Variables	Intellectual Capital (X1)	Working Capital Management (X2)	GCG (X3)	Company Size (X4)	Financial Distress (Y1)	Stock Return (Y2)
1.	Intellectual Capital (X1)	1,000					
2.	Working Capital Management (X2)	0.137	1,000				
3.	GCG (X3)	0.131	0.078	1,000			
4.	Company Size (X4)	0.165	-0.034	0.204	1,000		
5.	Financial Distress (Y1)	0.411	0.421	0.105	-0.021	1,000	
6.	Stock Return (Y2)	0.192	0.101	0.296	0.202	0.329	1,000

Source: Stata *output* (2024).

Table 6 shows that all independent variables have correlation values below 0.8, so this research model is confirmed to be free from multicollinearity and is suitable for application.

Heteroscedasticity Test

The heteroscedasticity test evaluates whether there are differences in variance among residuals from different observers in a research model. An effective research model is a homoscedasticity regression model, which indicates the absence of heteroscedasticity, because the data includes various measurements. This study involved heteroscedasticity tests for two research models. The results of the heteroscedasticity test for research model 1 are shown in Table 7, and for research model 2 are shown in Table 8.

Table 7. *Heteroscedasticity Test for Research Model 1: The Effect of Intellectual Capital, Working Capital Management, GCG, and Company Size on Financial Distress*

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Prob>chi2	*Cut Off*	Conclusion
0.592	0.05	The research model does not contain symptoms of heteroscedasticity

Source: Stata *output* (2024).

Table 8. *Heteroscedasticity Test of Research Model 2: The Effect of Intellectual Capital, Working Capital Management, GCG, Company Size, and Financial Distress on Stock Returns*

Prob>chi2	Cut Off	Conclusion
0.166	0.05	The research model does not contain symptoms of heteroscedasticity

Source: Stata *output* (2024).

Autocorrelation Test

The autocorrelation test evaluates whether there is a relationship between the residual error at time t and the error at time t-1. If such a correlation exists, it is identified as an autocorrelation problem (Ghozali, 2018). The autocorrelation test examines the interdependence of observations or data in a single variable. The value of a data can be influenced or correlated with other data. An effective research model is one that is free from autocorrelation. The results of the autocorrelation test are presented in Table 9 for research model 1 and Table 10 for research model 2.

Table 9. *Autocorrelation Test of Research Model 1: The Effect of Intellectual Capital, Working Capital Management, GCG, and Company Size on Financial Distress*

Prob > F	Cut Off	Conclusion
0.718	0.05	No autocorrelation occurs

Source: Stata *output* (2024).

Table 10. *Autocorrelation Test of Research Model 2: The Effect of Intellectual Capital, Working Capital Management, GCG, Company Size, and Financial Distress on Stock Returns*

Prob > F	Cut Off	Conclusion
0.783	0.05	No autocorrelation occurs

Source: Stata *output* (2024).

Goodness of Fit

Model feasibility testing is carried out through a goodness of fit assessment. Goodness of fit aims to evaluate the extent to which the SEM model matches the observed empirical data (Ghozali, 2018). The results of the Goodness of Fit test are presented in Table 11 below.

Table 11. *Autocorrelation Test of Research Model 1: The Effect of Intellectual Capital, Working Capital Management, GCG, and Company Size on Financial Distress*

Fit Statistics	**Mark**
CFI	1,000
TLI	1,000
SRMR	0,000

Source: Stata *output* (2024).

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A model is considered fit if it has a CFI value above 0.90; TLI above 0.90; and SRMR below 0.50 (Dash & Paul, 2021) . Based on the data presented in Table 4.9, it is known that this research model has a CFI value above 0.90; TLI above 0.90; and SRMR below 0.80, so the research model is declared fit.

Goodness of fit testing can also be performed using R-Square. Variations in R-Square values can reveal the impact of exogenous variables on endogenous variables, determining whether there is a significant impact. R-Square values of 0.67, 0.33, and 0.19 indicate that the models are strong, moderate, and weak, respectively (Ghozali, 2018). The R-Square values for this study are presented in Table 12 below.

Table 1 2. R- *Square*

Fit Statistics	Mark
Financial Distress	0.311
Stock Returns	0.204

Source: Stata *output* (2024).

Table 12 shows the R-Square value of the financial distress variable at 0.311, meaning that intellectual capital, working capital management, GCG, and company size influence financial distress by 31.1%, while other aspects outside this study influence the remaining 68.9%. The R-Square value of 0.311 indicates a weak model because it is above 0.19 and below 0.33.

The R-Square for the stock return variable is 0.204, meaning that intellectual capital, working capital management, GCG, company size, and financial distress influence stock returns by 20.4%, while other factors outside this research influence the remaining 79.6%. An R-Square of 0.204 indicates a weak model, as it is above 0.19 and below 0.33.

Hypothesis Testing

The hypothesis analysis in this study aims to determine the effect of Intellectual Capital (X1) and Working Capital Management (X2) on Stock Returns (Y2) through Financial Distress (Y1). Hypothesis testing in this study uses bootstrapping with 500 replications.

Based on the data presented in Table 13, the results of the hypothesis testing can be described as follows.

Table 13. *Hypothesis*

	Coef.	P>|t|
Intellectual Capital => Financial Distress	0.262	0.001
Working Capital Management => Financial Distress	0.149	0,000
Intellectual Capital => Stock Returns	0.001	0.948
Working Capital Management => Stock Return	-0.003	0.711
Financial Distress => Stock Returns	0.043	0.024
Intellectual Capital => Financial Distress => Stock Returns	0.011	0.038
Working Capital Management => Financial Distress => Stock Returns	0.006	0.041

Source: Stata *output* (2024).

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Based on the data contained in Table 13, the output of the hypothesis test can be described as follows. The test results obtained an influence coefficient of 0.262 and a probability of 0.001 <0.05, indicating that intellectual capital has a negative effect on financial distress, thus accepting the first hypothesis. The positive influence coefficient indicates that an increase in intellectual capital is correlated with a higher Z-score value. An increase in the Z-score value corresponds to a decrease in the company's level of financial distress. Intellectual capital is the variable with the dominant influence on financial distress because it has an influence coefficient that is farthest from 0, namely 0.262.

The test results obtained a positive influence coefficient of 0.149 and a probability of 0.000 < 0.05, indicating that working capital management has a negative effect on financial distress, thus accepting the second hypothesis. The positive influence coefficient indicates that improved working capital management is correlated with a higher Z-score value. An increase in the Z-score indicates a decrease in financial distress.

The test results obtained a positive influence coefficient of 0.001 and a probability of 0.948 > 0.05, indicating that intellectual capital has no effect on stock returns, so the third hypothesis is rejected. The test results obtained a negative influence coefficient of -0.003 and a probability of 0.711 > 0.05, indicating that working capital management has no effect on stock returns, so the fourth hypothesis is rejected.

The test results show a positive influence coefficient of 0.043 and a probability of 0.024 <0.05, indicating that financial distress has a negative effect on stock returns, thus accepting the fifth hypothesis. A positive influence coefficient indicates that with each increase in the Z-score, stock returns will increase. An increase in the Z-score indicates a decrease in the company's financial distress. Therefore, the results of this study indicate that a decrease in financial distress will increase stock returns, while an increase in financial distress will decrease stock returns. Financial distress is the aspect that has the most dominant influence on stock returns because it has an influence coefficient that is farthest from 0, namely 0.043.

The test results obtained a positive influence coefficient of 0.011 and a probability of 0.038 <0.05 which shows that intellectual capital has a positive effect on stock returns through financial distress or in other words, financial distress mediates the effect of intellectual capital on stock returns, so that the sixth hypothesis is accepted. More specifically, intellectual capital does not directly affect stock returns, then indirectly through financial distress, intellectual capital has a positive effect on stock returns, so that perfect mediation occurs.

The test results obtained a positive influence coefficient of 0.006 and a probability of 0.041 <0.05 showing that working capital management has a positive effect on stock returns through financial distress or in other words, financial distress mediates the effect of working capital management on stock returns, so that the seventh hypothesis is accepted. More specifically, working capital management directly does not affect stock returns, then indirectly through financial distress, working capital management has a positive effect on stock returns, so that perfect mediation occurs.

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Discussion

The Influence of Intellectual Capital on Financial Distress of Technology Companies on the Indonesia Stock Exchange 2021-2023

The research results show that intellectual capital has a negative effect on financial distress. An increase in intellectual capital leads to a decrease in financial distress, while a decrease in intellectual capital leads to an increase in financial distress.

The influence of intellectual capital on financial distress is based on Resource-Based Theory (Nasution & Dinarjito, 2023). Increasing competitive advantage enables companies to achieve superior performance over a period of time by leveraging the organization's strategic resources. According to Resource-Based Theory, companies that effectively manage resources and information, including intellectual capital, will gain a competitive advantage that improves financial performance and reduces the risk of financial crises. The results of this study, which show a negative effect of intellectual capital on financial distress, support research by Shahwan & Habib (2020), Nasution & Dinarjito (2023), and Nurcahyono et al. (2023).

The Impact of Working Capital Management on Financial Distress of Technology Companies on the Indonesia Stock Exchange 2021-2023

The research results show that working capital management has a negative impact on financial distress. Improved working capital management leads to a decrease in financial distress, while a decrease in working capital management leads to an increase in financial distress.

Appropriate working capital management based on Resource-Based Theory is an entity's capacity to manage its resources effectively and efficiently. This will strengthen the company's competitive advantage and financial performance, ultimately reducing the likelihood of financial distress . Efficient working capital management reduces the likelihood of financial stress or bankruptcy (Salehi et al., 2019). This research output, which shows that working capital management has a negative effect on financial distress, supports research by Onchangwa (2019), Muigaii & Nasieku (2021), and Habib & Kayani (2022).

The Influence of Intellectual Capital on Stock Returns of Technology Companies on the Indonesia Stock Exchange 2021-2023

The research results show that intellectual capital has no effect on stock returns. An increase or decrease in intellectual capital will not lead to changes in stock returns.

This research found a different finding: intellectual capital had no impact on stock returns. This finding contradicts Signaling Theory, which explains that all information disseminated by an entity serves as a signal for investors in making investment decisions. The value generated by an entity through intellectual capital has not been a significant factor for investors in their investment decisions. The intellectual capital examined in this study did not elicit any response in the stock market, indicating that intellectual capital offers a limited perspective on the information investors need (Aprilia & Isbanah, 2019). Intellectual capital in technology companies is not considered special by investors, as it is natural for investors in technology companies to have intellectual capital to support their operations.

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Investors tend to focus on immediately visible financial returns rather than the value of intellectual capital, which is not directly reflected in a company's financial statements. Market movements in the technology sector and other external factors also influence stock returns. Therefore, although intellectual capital is important, its direct impact on technology company stock returns is often overshadowed by other factors. Company fundamentals are the aspect most considered by investors (OJK, 2021). Intellectual capital is part of these fundamentals, but its difficult measurement causes the majority to consider more general and easily identifiable factors such as financial performance with various profitability ratios, solvency, and other financial performance ratios. This research output, which shows that intellectual capital has no effect on stock returns, supports the research of Agustina et al. (2024) and Manda & Murtanto (2024).

The Effect of Working Capital Management on Stock Returns of Technology Companies on the Indonesia Stock Exchange 2021-2023

The research results show that working capital management has no effect on stock returns. An increase or decrease in working capital management will not result in a change in stock returns.

This study's findings differ, contradicting Signaling Theory. Working capital management provides little signal to investors in determining stock returns. Stock investors are generally more interested in a company's long-term growth prospects, which are more related to product innovation, market expansion, or new business strategies, than simply working capital management (Hilman, 2024). Therefore, even if working capital is managed efficiently, it is often less prominent in investors' eyes if it does not directly impact the company's growth or development potential. Furthermore, technology companies have other aspects that must be prioritized beyond effective working capital management, such as product innovation, research and development (R&D), and market expansion. Technology companies also frequently obtain external financing to support growth, rather than working capital management. Investors are more interested in growth potential and long-term competitive advantage than working capital efficiency. Therefore, although working capital management is important for operations, it does not have a direct impact on technology companies' stock returns. This situation suggests that working capital management does not directly impact stock returns. This research finding that working capital management does not impact stock returns reinforces research by Salehi et al. (2019) and Santhi et al. (2022), and Purwanti (2022).

The Impact of Financial Distress on Stock Returns of Technology Companies on the Indonesia Stock Exchange 2021-2023

The research results show that financial distress negatively impacts stock returns. Increasing financial distress leads to a decrease in stock returns, while decreasing financial distress leads to an increase in stock returns.

The effect of financial distress on stock returns is based on Signaling Theory. Financial distress negatively impacts stock returns due to deteriorating company financial performance, including reduced profits and cash flow. Challenges in meeting financial commitments can increase the risk of bankruptcy, thus creating anxiety

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among investors and reducing stock demand. Companies experiencing financial distress often face high debt costs, which reduce profitability and shareholder returns. Decreased investor confidence in company management exacerbates this situation. Increased risk leads to lower stock prices, as investors typically avoid companies facing financial difficulties. Financial distress can initiate a detrimental cycle that is difficult to overcome without efficient restructuring. Financial distress substantially impacts a company's stock performance, thus negatively impacting stock returns. The findings of this study, which show that financial distress negatively impacts stock returns, support research by Feren & Bangun (2019), Fachrudin & Ihsan (2021), and Elviana & Ali (2022).

The Influence of Intellectual Capital on Stock Returns of Technology Companies on the Indonesia Stock Exchange 2021-2023 Through Financial Distress

The results of this study show that financial distress can mediate the influence of intellectual capital on stock returns. Intellectual capital positively influences stock returns through financial distress. According to RBT, an entity's capacity to effectively manage resources and knowledge, such as intellectual capital, will create a competitive advantage that improves financial performance and reduces the likelihood of financial distress.

Financial distress then impacts stock returns. Financial distress is negative news for stakeholders. Therefore, when a company experiences financial distress, investors and potential investors will avoid investing in the entity, resulting in decreased demand for shares, which ultimately leads to lower or smaller returns. Therefore, financial distress negatively impacts stock returns. As explained above, intellectual capital influences stock returns through financial distress.

This research's findings, which demonstrate that financial distress can mediate the effect of intellectual capital on stock returns, support several other research findings. Research by Shahwan & Habib (2020), Nasution & Dinarjito (2023), and Nurcahyono et al. (2023) showed a negative effect of intellectual capital on financial distress. Furthermore, research by Feren & Bangun (2019) and Fachrudin & Ihsan (2021) showed a negative effect of financial distress on stock returns .

The Effect of Working Capital Management on Stock Returns of Technology Sector Companies on the Indonesia Stock Exchange 2021-2023 Through Financial Distress.

The results of this study show that financial distress can mediate the effect of working capital management on stock returns. Working capital management has a positive effect on stock returns through financial distress.

Appropriate working capital management based on Resource-Based Theory is an entity's capability to manage its resources effectively and efficiently, thereby strengthening the company's competitive advantage and financial performance, ultimately leading to a reduced likelihood of financial distress. Efficient working capital management reduces the likelihood of financial stress or bankruptcy (Salehi et al., 2019).

Financial distress then impacts stock returns. Financial distress is negative news for stakeholders. Therefore, when an entity faces financial distress, investors and potential investors will avoid investing in the entity, resulting in decreased demand

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for shares. This decrease in stock demand ultimately leads to a decline in stock returns, which can become even lower or smaller. Therefore, financial distress negatively impacts stock returns. As explained above, working capital management impacts stock returns through financial distress.

This research's findings, which demonstrate that financial distress can mediate the effect of working capital management on stock returns, support several studies. Research by Onchangwa (2019), Muigaii & Nasieku (2021), and Habib & Kayani (2022) showed that working capital management negatively impacted financial distress. Furthermore, research by Feren & Bangun (2019) and Fachrudin & Ihsan (2021) also showed that financial distress negatively impacted stock returns.

CONCLUSION

According to the research output and in line with the research objectives, the conclusions that can be drawn from this research are that intellectual capital has a negative effect on financial distress, working capital management has a negative effect on financial distress, intellectual capital has no effect on stock returns, working capital management has no effect on stock returns, financial distress has a negative effect on stock returns, intellectual capital has a positive effect on stock returns through financial distress, and working capital management has a positive effect on stock returns through financial distress.

The coefficient of determination in this study was only 31.1% for financial distress and 20.4% for stock returns. Therefore, recommendations for future research include expanding other aspects that can influence financial distress and stock returns, such as macroeconomics and earnings management, to generate a larger coefficient of determination. Future researchers are also advised to develop more complex research models, such as involving two mediating variables or both a mediating and moderating variable, to provide more comprehensive results.

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