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Research Articles

The Effect of Financial Ratios on Financial Distress with Corporate Governance as a Moderation Variable in Tourism Industry Service Companies, Hotels and Restaurants Listed on the Indonesia Stock Exchange

Selpia Sapitri [1]*, Irdha Yusra [2]

[1] Fakultas Ekonomi dan Bisnis, Universitas Negeri Padang, Indonesia; e-mail : selpiasafitrii@gmail.com
[2] Fakultas Ekonomi dan Bisnis, Universitas Negeri Padang, Indonesia, e-mail : irdhayusra@gmail.com
* Corresponding Author: Selpia Sapitri

Abstract: This study aims to explore the impact of the influence of financial ratios on financial distress with corporate governance as a moderation variable in tourism industry, hotel and restaurant service companies listed on the Indonesia Stock Exchange during the 2019-2023 period. The method used in this study is purposive sampling from a total of 50 companies, where 23 companies were selected because they met the criteria that have been set. The analysis was carried out to involve multiple linear regression and moderating regression analysis (MRA) by utilizing the IBM SPSS Statistics 23 application as a tool for statistical and hypothesis testing. The financial distress variable was driven using the Zmijewski X-Score formula. The findings of the study show that return on equity (ROE) has a negative and significant influence on financial distress. Current ratio (CR) has a positive and significant influence on financial distress. Debt to equity ratio (DER) has a positive and insignificant effect on financial distress. In the moderation test, it can be seen that gender diversity does not positively moderate the effect of return on equity (ROE) on financial distress. Similarly, gender diversity does not positively moderate the influence of the current ratio (CR) on financial distress. However, gender diversity is able to negatively moderate/weaken the influence of debt to equity ratio (DER) on financial distress. Institutional ownership negatively moderates/weakens the effect of return on equity (ROE) on financial distress. However, institutional ownership does not negatively moderate the influence of the current ratio (CR) on financial distress. On the other hand, institutional ownership is able to positively moderate/strengthen the influence of the Debt to equity ratio (DER) on financial distress.

Keywords: CR, DER, Financial Distress, Financial Ratios, Gender Diversity

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1. Introduction

In the era of globalization or so-called Society 5.0, there is a rapid development of technology. The tourism industry in Indonesia is one of the promising sectors in supporting national economic growth. With its diversity of nature, culture, and traditions, Indonesia offers a variety of attractive destinations for domestic and foreign tourists. The Covid-19 pandemic that broke out at the end of 2019 has created an unprecedented crisis in various sectors of the global economy. Other companies including companies engaged in tourism, hotels and restaurants are also affected by this crisis, so these companies are predicted to experience financial distress (Crespí-Cladera et al., 2021).

According to Platt & Platt (2002) financial distress is a state of financial hardship or liquidity that exists as a potential for the beginning of bankruptcy. A company's inability to maintain a balance between revenue and expenses, or even exceed initial targets, can result in

poor financial performance, which can ultimately lead to serious financial problems, known as financial distress (Eugenio et al., 2023).According to Hernadianto et al., (2020) financial distress starts from the company's inability to fulfill its obligations, especially short-term liabilities including liquidity obligations. Financial distress can be caused by several factors such as declining sales, unstable inflation, and poor corporate governance (Ramdani & Wijaya, 2019). Financial distress can be a cruel natural selection that can knock the company out of the market if the company is unable to control it, causing the company to default and go bankrupt. However, it can be something profitable for the company if the company manages well so that it becomes an alarm called an early warning for problems that come (M. V. A. Kristanti, 2018).

Financial distress is usually considered an embarrassing situation due to inability to pay due debts or expenses, which involves liquidity issues, insufficient equity, default debt, and lack of current assets (Hui & Jing-Jing, 2008). Financial distress can force companies to go bankrupt or liquidate (Samanta & Johnston, 2019). One of the companies that is predicted to experience financial distress is the tourism industry. The tourism industry has faced significant challenges in recent years, especially in early 2020, the impact of the pandemic caused a significant decline in business performance in business actors in the tourism, hotel, and restaurant sectors (Abdullah et al., 2023).

The tourism industry is directly affected by the emergence of health emergencies (Chien & Law, 2003; Dahles & Susilowati, 2015; Dombey, 2003; Mckercher & Chon, 2004; Novelli, Gussing Burgess, Joness & Ritchie, 2018). For example, in China the SARS crisis in 2003 greatly affected the tourism, hotel and restaurant industry compared to other industries (Dombey, 2003). The covid-19 crisis was more severe, which led to a reduction in activity of up to 60-80% in 2020. According to the United Nations World Tourism Organization (UNTWO), its impact extends to the rest of the world, resulting in a global economic collapse (Crespí-Cladera et al., 2021). To prevent this, the governments of various countries have implemented various policies to overcome the spread of the Covid-19 virus, such as PSBB, PPKM Policy, which will clearly make it difficult for the tourism sector due to the reduction of local and international visitors. This certainly leads to a decrease in the revenue of the tourism, hotel and restaurant sectors which will have a negative impact on the company's performance, causing this sector to suffer losses and be in a situation of financial distress.

To overcome the problem of financial distress that can result in the failure of an entity, many experts have expressed their views through the development of various models. Models created by leading experts in the world include the Altman Method (Z-Score), Zmijewski Model (X-Score), and Springate Model (S-Score). In this study, the author uses the Zmijewski model developed directly by Zmijewski in 1984 and uses financial ratios that measure company performance, leverage, and liquidity to develop the model (Priyantini, 2015).

This research was conducted on tourism industry service companies, hotels and restaurants listed on the IDX in 2019-2023, where this research will confirm the results of how the company is doing after being affected by the Covid-19 crisis. The researcher selected services companies in the tourism, hotel and restaurant industries that experienced negative operating profits for two consecutive years. So this means that many of the tourism industry service companies, hotels and restaurants are experiencing financial distress.

Financial distress can be experienced by all companies, especially if economic conditions in the country where the company operates experience an economic crisis. To overcome or minimize the occurrence of bankruptcy in the company, the management must supervise the company's financial condition using the analysis of financial statements (Ramadhani & Lukviarman, 2009). Financial statement analysis is an important tool to obtain information about the company's financial condition. Financial analysis has two main tools that can be used, namely ratio analysis and cash flow analysis (Healy & Palepu, 2002). Both tools can be used by management and other interested parties in the company to assess the extent of success achieved by the company from the strategy implemented and also what failures occurred. By using financial ratios, companies can know and identify weaknesses and strengths and can optimize their resources to achieve goals that can be valuable for the company (Seto et al., 2023). As for investors, comparing the financial ratio of a company or industry with other similar companies or industries can show differences in the company's financial performance.

According to Kasmir (2015) there are several types of financial ratios that can be used to measure financial distress, including Liquidity ratio, Leverage ratio, Profitability ratio, Growth ratio, Activity ratio, and Valuation ratio. According to Fahmi (2012), for investors, there are three most dominant ratios that are used to see the performance condition of a company, namely: liquidity ratio, leverage ratio, and profitability ratio. These three ratios are generally always of concern to investors because they are fundamentally considered to have presented a preliminary analysis of the condition of a company.

According to Rodoni & Ali (2010), it is emphasized that there are three financial conditions that cause financial distress in a company. The first factor is the capital inadequate factor which is important for the survival of a company, capital insufficiency can be seen using the company's liquidity ratio, companies that have high liquidity mean that the company has enough capital to meet its short-term obligations, and vice versa.

The second factor is that the large debt burden occurs because the debt owned by the company is too large. Debt is one of the sources of external financing used by companies to finance their operational needs. However, the use of debt that is too high will allow the company to experience financial distress. This condition can be measured using the leverage ratio.

The third factor is the losses experienced by the company due to low sales. This is because the management is not able to carry out the company's strategy properly. This can be seen from the profitability ratio where the profitability ratio can assess the company's ability to bring profits based on the assets that the company uses. The profitability ratio is a ratio that assesses a company's ability to make a profit. For this reason, in this study, the researcher used three ratios out of five financial ratios, namely profitability ratio, liquidity ratio, and leverage ratio.

Financial distress research is widely used as a research object and a series of factors that can influence financial distress have often been tested by several researchers before. For example, research conducted by Amanda & Tasman (2019) which uses liquidity, leverage, sales growth, and company size as research variables. And this research was also carried out by Fajrin & Tasman (2021) which uses profitability, liquidity and leverage. However, in this study, the researcher applied the variables of profitability, liquidity, and leverage. In addition, the sample applied in this study is a service company, tourism industry, hotels and restaurants where previous research made manufacturing and service companies as research samples. But this time it only focuses on tourism industry service companies, hotels and restaurants.

In this study, the first variable that affects financial distress is the profitability ratio. The profitability ratio is a ratio used in measuring the success of a company in generating net profit at the level of sales, assets, and share capital (Rusli, 2019). Profitability in relation to investments consists of the rate of return on total assets and the rate of return on equity. In this study, the researcher used return on equity (ROE) as a measure of profitability variables. If the company's ROE results are higher, it reflects that the better the use of assets that the company does to generate profits, and the lower the risk of the company experiencing financial distress.

The second variable applied in this research is the liquidity ratio. According to Kasmir (2019), the liquidity ratio is a ratio that proves that companies with high liquidity ratio values can fulfill obligations in less than a year. In order for the company to remain in a liquid condition, the company should have greater current assets than its current liabilities. The importance of this ratio is because failure to pay obligations can result in the company going bankrupt (Fahmi, 2013). In this study, the liquidity ratio was measured using the Current Ratio. A high current ratio reflects good liquidity which can help prevent financial distress. In addition, this ratio provides an overview of the company's financial health, a low ratio can be a signal of financial distress that can lead to difficulties in fulfilling obligations.

The third variable used is the leverage ratio, which according to research by Faldiansyah & Arrokhman, (2020), states that the leverage ratio is used to measure a company's debt financed by the company's assets and capital. According to Fahmi (2017), leverage is a measure of the extent to which a company finances its operations using debt. In this study, the leverage ratio is measured using the Debt to Equity Ratio (DER). The Debt to Equity

Ratio can reflect the proportion of debt compared to the company's equity. A high DER can indicate a risk of financial distress. In addition, this ratio also provides an idea of the company's financial health, if the DER is too high, this could be a signal that the company may have difficulty meeting its debt obligations, especially in challenging economic conditions. The higher the DER ratio, the lower the company's funding provided by shareholders. So that the use of debt can increase the value of the company. An increase in the company's value lowers the probability of financial distress.

In addition to the financial ratio variable, this study also uses the Corporate Governance variable. Corporate Governance is predicted to be able to overcome the risk of financial distress. According to the Organization for Economic Cooperation and Development (OECD), poor corporate governance mechanisms push companies into financial distress. According toMondayri & Tresnajaya (2022)), good Corporate Governance is a principle that directs and controls companies to achieve a balance between the company's strengths and authority in providing its accountability to shareholders in particular and stakeholders in general. The variables of the corporate governance mechanism studied in this study are gender diversity and institutional ownership.

In research by Guizani & Abdalkrim (2021), gender diversity can help increase effectiveness by preventing companies from being exposed to financial distress and bankruptcy. According to Susanti, (2020), gender diversity in an organization can give rise to new understandings when decision-making is made, observation of the effectiveness of corporate governance so that it becomes a competitive advantage. Women directors are considered as a governance tool that can improve the quality of governance, transparency, monitoring, and protection of shareholder rights. This supervisory role is supported by agency theory that assumes that the presence of women in the company monitors the implementation of the strategy to ensure that shareholders are protected and aligned with the interests of the manager. In the context of bankruptcy, it is proven that companies with gender-diverse boards of directors have a lower risk of bankruptcy because the presence of female directors in the board room can reduce managerial opportunistic behavior and information asymmetry (Usman et al., 2019). So it can be assumed that the presence of female directors can reduce financial distress.

Another benefit of having many women in director positions is that women often have lower levels of confidence and are more reluctant to take risks than men, which indicates a more cautious approach to the hiring process (García & Herrero, 2021). Therefore, if the presence of women can serve as a guarantee for more effective supervision, as well as indicate a more cautious attitude and risk aversion, women's involvement should have an impact on the company's financial decisions and can help prevent financial distress.

However, while there has been much written about the contribution of female directors in improving the effectiveness of a company, a number of studies on the relationship between

gender diversity and financial distress have shown mixed results. Several studies report that women's participation can lower the likelihood of bankruptcy (Darrat et al., 2016)(García & Herrero, 2021). A company's board with diverse members tends to have better oversight and advisory capabilities, which can ultimately drive better performance and reduce financial distress.

In addition, institutional ownership can also have an impact on financial distress. According to Machmud (2008), the theory put forward by Shleifer & Vishny shows that institutional ownership will encourage increased effectiveness in supervision. This supervision will certainly ensure the welfare of shareholders. A high level of institutional ownership will result in greater supervisory efforts from institutional investors, so as to prevent negative actions against the company. Institutional ownership is the selection of company shares owned by the institution, not individual ownership (Masita & Purwohandoko, 2020). With institutional ownership, company costs can be reduced through reducing agency costs because institutional ownership can be a monitoring agent (Isnalita & Utama, 2013).

This research displays several advantages that distinguish it from previous researches. This advantage lies in the tourism, hospitality, and restaurant industry sectors in Indonesia which have their own uniqueness and movement compared to other fields. This can provide a significant new point of view. In addition, the study leverages a wider range of financial ratios, including profitability, liquidity, and leverage ratios, which allows for a detailed analysis of how each of these ratios affects financial distress.

Furthermore, this study combines corporate governance that is rarely explored in the context of the tourism, hospitality, and restaurant sectors, thus providing a new perspective on how managerial practices can affect the financial health of a company. The results of this study have significant practical implications for managers, investors, and policymakers in the tourism, hotel, and restaurant industries to assist in more informed decision-making to avoid the risk of financial distress.

2. Literatur Review

2.1. Agency Theory

Agency theory is a theory that explains the relationship between company management as an agent and the owner of capital as well as the principal (Wahyuningtyas, 2010). Agents are appointed by the principal to manage the company, which includes delegating authority from the principal to the agent to make decisions on behalf of the owner. This causes agents to have wider access to information than principals. This information imbalance is known as information asymmetry (Pembayun, 2012).

The relationship between agency theory and financial distress is the concealment of various important company information and the absence of openness in the disclosure of its performance which can cause poor corporate governance by managers (agents) and can harm

shareholders (principals). A company's bad experience can start from a small mistake made by an agent, which can cause significant losses and potentially lead to financial distress.

3. The Relationships Between Variables

3.1. The Relationship of Return on Equity to Financial Distress

Return on Equity (ROE) measures a company's ability to manage capital obtained from shareholders to generate profits for the company. The higher the ROE value allows the company to emphasize financial distress. Conversely, financial distress can lower ROE because companies have difficulty meeting their financial obligations, which has an impact on declining profits.

Agency Cost plays an important role in this relationship, as costs incurred due to conflicts of interest between shareholders and management can reduce ROE if management does not act in accordance with the interests of shareholders. Poor investment decisions due to high agency costs can increase the risk of financial distress. Therefore, managing agency costs properly can help companies increase ROE and reduce the likelihood of financial distress.

In research by Nabil S et al., (2024), it is shown that ROE has a positive and significant effect on financial distress. Likewise with research (Widati, 2015). ROE that shows positive numbers is considered good, because it shows that the company has used its capital or equity efficiently and effectively.

In a study conducted by Murni (2018), it was stated that ROE has a negative but not significant effect on the level of financial distress. Low ROE indicates that companies are less able to use their equity to generate profits. This can make it difficult for the company's finances to rely on internal funding sources for investment, thereby increasing the risk of financial distress.

H1: Profitability driven by Return on Equity (ROE) has a negative and significant effect on financial distress.

3.2. The Relationship of Current Ratio with Financial Distress

The Current Ratio shows the company's working capital position by comparing total current assets and short-term debt. When the current ratio is low, the company struggles to pay short-term debt, which can lead to liquidity issues. In this situation, managers are forced to take more aggressive measures to manage finances.

Agency cost arises when there is a conflict of interest between the manager and the shareholder. Managers place more importance on short-term stability to maintain their positions, while shareholders expect more aggressive strategies to increase the value of the company. This can lead to suboptimal decisions. Therefore, the relationship between the current ratio and financial distress can be influenced by agency cost, where a low current ratio not only reflects financial risks but also creates pressure on managers to make decisions that

are not in line with the interests of shareholders, which can further increase the risk of financial distress.

In a study conducted by Silanno & Loupatty (2021), it was stated that the current ratio does not have a significant effect on financial distress. Companies with high current ratios usually show that they have sufficient current assets to meet short-term debt obligations, so that they can avoid the risk of financial distress. However, the study showed that the current ratio did not have a significant effect on financial distress conditions.

Research conducted by (Fitrianingsih & Novitasari, 2021) stated that the current ratio has a positive and significant effect on financial distress. This means that the current ratio can be used as a ratio to consider for companies in predicting their company's financial distress. So the higher the current ratio, the lower the value of financial distress.

The results of a study conducted by Nurhamidah & Kosasih (2021), stated that the current ratio has a negative and significant effect on financial distress. There is a strong relationship between liquidity and the risk of financial distress. When a company's liquidity increases, the likelihood of financial distress becomes lower. On the contrary, a decrease in liquidity has the potential to increase the risk of financial distress.

H2: Diluted liquidity with current ratio (CR) has a positive and significant effect on financial distress.

3.3. The Relationship between Debt to Equity Ratio (DER) and Financial Distress

DER reflects how large the proportion of debt used to finance the company's operations is compared to the capital owned. Agency theory plays a role in this relationship because it can create conflict between managers and shareholders. Managers are encouraged to make risky decisions that have the impact of increasing financial distress. When a company is in financial distress, shareholders need to keep an eye on managers' decisions, thereby increasing agency costs.

Thus, the relationship between DER and financial distress is influenced by agency theory, where high DER can increase the risk of financial distress, while conflicts of interest between managers and shareholders can affect decision-making related to debt management.

In a study conducted by Karimah & Sukarno, (2023), it was stated that DER has a positive and significant effect on financial distress. If a company shows an increase in its debt-to-equity ratio, it can indicate that it is at higher risk of financial problems.

Research conducted by Nurhamidah & Kosasih (2021), stated that DER has a negative and insignificant effect on financial distress. Research findings that show a negative influence can be attributed to the fact that the cost of debt is lower compared to the cost of equity.

H3: Leverage driven by Debt to equity ratio (DER) has a positive and significant effect on financial distress.

3.4. The Gender Diversity Relationship Moderates the Effect of Return on Equity on Financial Distress

The relationship between gender diversity and Return on Equity (ROE) can serve as a significant moderation variable in influencing a company's level of financial distress, where agency costs play an important role in this dynamic. Gender diversity at the management level, which includes the representation of women in leadership positions, can contribute to the reduction of agency theory that often arises due to conflicts of interest between shareholders and management, as this diversity tends to increase transparency and accountability in decision-making (Agustin et al., 2023).

Companies with higher levels of gender diversity can show better financial performance, which is reflected in higher ROE, thereby reducing the risk of financial distress that can be faced by such companies (Eliya & Suprapto, 2022).

H4: Gender diversity moderates the effect of return on equity (ROE) on financial distress.

3.5. The relationship Gender diversity moderates the influence of the current ratio on financial distress

The relationship between gender diversity and the influence of current ratio on financial distress can be understood through the perspective of agency theory. Gender diversity in company management functions as a moderator that strengthens the influence of the current ratio on financial distress. Research shows that companies with higher gender diversity tend to have better and more transparent decision-making, which can reduce agency costs (Adams & Ferreira, 2009). In addition, gender diversity on the board of directors can increase accountability and encourage broader discussions about financial risks, so that companies are better able to manage liquidity and avoid financial distress (Post & Byron, 2015).

A good current ratio indicates a company's ability to meet its short-term obligations, and gender diversity can strengthen this relationship by reducing potential conflicts of interest between management and shareholders (Brammer et al., 2007). Thus, gender diversity not only contributes to more inclusive decision-making, but also serves to moderate the relationship between the current ratio and financial distress, by reducing agency costs which are often the main cause of financial distress in companies (Terjesen et al., 2009).

H5: Gender diversity moderates the effect of current ratio (CR) on financial distress.

3.6. Gender diversity moderates the effect of Debt to Equity Ratio on financial distress

Gender diversity on the board of directors can play an important role in moderating the influence of the Debt to Equity Ratio (DER) on financial distress, where the presence of women in leadership positions can help reduce agency costs. When a company has a high DER, meaning that the company uses more debt than equity to finance its operations, this can increase the risk of financial distress, especially if management does not have adequate supervision in managing the debt. In this context, a diverse board can serve as an effective risk mitigation mechanism.

Research conducted by Campbell & Mínguez-Vera (2008), found that companies with more diverse boards of directors experienced significantly lower levels of financial distress. This is due to the board's diverse ability to provide different views and consider different viewpoints in strategic decision-making, including in terms of debt management. Research by Post & Byron (2015), also supports these findings, showing that companies with more diverse boards tend to experience lower levels of financial distress, as gender diversity can improve the quality of oversight and decision-making.

Therefore, companies that want to reduce the risk of financial distress should consider increasing gender diversity on their board of directors. Policies that support gender inclusion in leadership can not only improve financial performance, but also assist companies in managing debt and avoiding potentially detrimental situations. Research by Terjesen et al., (2009), emphasizes the importance of gender diversity in improving the quality of corporate governance, which can contribute to long-term financial stability.

H6: Gender diversity moderates the influence of Debt to equity ratio (DER) on financial distress.

3.7. Institutional Ownership Relationships Moderate the Effect of Return on Equity on Financial Distress

Institutional Ownership measures the percentage of shares owned by an institution out of the total outstanding shares of a company. Institutional ownership is one aspect of corporate governance that can reduce problems that arise in the theory of agency between company owners and managers. Thus, this can reduce agency costs that have the potential to cause financial distress. The higher the level of institutional ownership, the more efficient the use of the company's assets, so that the risk of financial distress can be minimized.

Institutional ownership has a significant role in moderating the effect of Return on Equity (ROE) on financial distress, where this can be understood through agency costs which are often a source of conflict between management and shareholders. As the level of institutional ownership increases, these institutions tend to be more active in supervising and influencing managerial decisions, so as to reduce agency costs that arise due to misalignment of interests between these parties. With stricter supervision, management is expected to be more responsible in managing the company's resources, which in turn can improve financial performance reflected in ROE.

Increasing ROE is important, because companies that are able to generate higher profits have a better capacity to meet their financial obligations, thereby reducing the risk of financial distress. Therefore, it can be concluded that institutional ownership not only functions as a supervisor, but also as a factor that strengthens the positive relationship between ROE and the financial stability of the company, which ultimately contributes to the reduction of the possibility of financial distress (Prastiwi & Dewi, 2019).

H7: Institutional ownership moderates the effect of return on equity (ROE) on financial distress.

3.8. Institutional Ownership Relationships Moderate the Influence of Current Ratio on Financial Distress

Institutional ownership has an important role in moderating the influence of the Current Ratio on financial distress. A high Current Ratio indicates good liquidity, which means the company is better able to meet its short-term obligations. Research shows that the higher the Current Ratio, the lower the risk of financial distress faced by (Prastiwi & Dewi, 2019).

Institutional ownership serves as an effective supervisor, which can reduce agency costs that arise due to conflicts of interest between management and shareholders. With significant institutional ownership, companies tend to be more disciplined in financial management, thereby reducing the risk of financial distress.

Agency cost occurs when there is a difference in interests between management and shareholders. In this context, strong institutional ownership can moderate the relationship between the Current Ratio and financial distress. This means that companies with high institutional ownership are better able to manage liquidity and avoid financial distress.

H8: Institutional ownership moderates the influence of current ratio (CR) on financial distress.

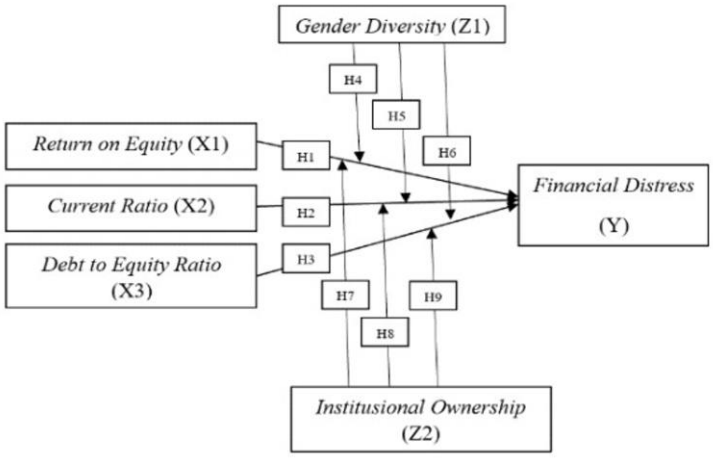
3.9. Institutional Ownership Relationships Moderate the Influence of Debt to Equity Ratio on Financial Distress

The relationship between institutional ownership and the Debt to Equity Ratio (DER) can moderate the influence of DER on financial distress, especially in the context of agency costs. The Debt to Equity Ratio, which indicates the proportion of a company's debt compared to its equity, can increase the risk of financial distress if the company is unable to meet its obligations. However, when institutional ownership is high, companies are likely to have better oversight, which can reduce the agency costs arising from conflicts of interest between managers and shareholders.

Institutional ownership serves to increase transparency and accountability in decision-making, so that managers are more responsible in managing debt and using company resources. Research by Prastiwi & Dewi (2019), shows that the managerial influence of agency costs on financial distress can be minimized by having a strong ownership structure, thus strengthening the argument that institutional ownership plays an important role in moderating the relationship between DER and financial distress.

H9: Institutional ownership moderates the influence of current ratio (CR) on financial distress.

The following provides a framework for thinking about this research that is based on the assumptions mentioned earlier:



Picture 1. Frame of mind

Source: Author-generated data, 2025

4. Method

This study uses a quantitative method. The sample taken includes 23 companies engaged in the services sector, tourism, hotel and restaurant industry listed on the Indonesia Stock Exchange in 2019-2023. The sample selection method applied in this study is purposive sampling. The sampling criteria in this study are as follows: 1) Tourism industry service companies, hotels and restaurants listed on the Indonesia Stock Exchange at the end of 2023. 2) Tourism industry, hotel and restaurant service companies listed consecutively on the Indonesia Stock Exchange in 2019-2023. 3) Tourism, hotel and restaurant industry service companies that report their 2019-2023 annual reports. 4) Tourism industry service companies, hotels and restaurants that provide all the data needed regarding research variables, namely the board of directors, independent board of commissioners, institutional ownership, and the number of female directors. The data sources used in this study are secondary data available on the www.idx.co.id website and on the official website of each company. The measurement of variables in this study is as follows:

Table 1. Variable measurement

Variable	Operational Definition	Proxy
Dependent Variable		
Financial Distress	Financial distress can be measured with X-Score. X-Score uses three variables, namely X1 (ROA), X2 (Debt ratio), X3 (CR).	X-Score = -4,3 - 4,5X1 + 5,7X2 – 0,004X3
Independent Variable		
Return on Equity (ROE)	Return on Equity (ROE) is a comparison between the company's net profit and total equity in a given period.	ROE = $\frac{\textit{Net Profit}}{\textit{Total Equity}} \times \mathbf{100}\%$

Current Ratio (CR)	Current Ratio (CR) is a comparison between current assets and a company's current debt in a certain period.	$CR = \frac{Current\ Assets}{Current\ Debt}$
Debt to Equity Ratio (DER)	Debt to Equity Ratio (DER) is a comparison of the total debt to capital of a company in a certain period.	$DER = \frac{Total\ Debt}{Capital}$
Moderations Variable		
Gender Diversity	ender diversity is a comparison between the number of female directors and the total number of directors of a company in a given period.	Gender diversity = $\frac{Number\ of\ Female\ Directors}{Total\ number\ of\ directors}$
Institutional Ownership	Institutional Ownership is the percentage between the number of shares that an institution has and the number of shares outstanding in a company in a certain period.	Institusional Ownership = $\frac{Number\ of\ Shares\ of\ the\ Institution}{Number\ of\ Shares\ Outstanding} \times 100$

In this study, the analysis methods applied are multiple linear regression analysis and moderating regression analysis (MRA) using IBM SPSS Statistics 23 software.

The following form of multiple linear regression equations in this study is formulated as follows:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4Z1 + \beta5Z2 + \varepsilon$$

Meanwhile, the form of the moderated regression analysis (MRA) equation in this research is as follows:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4Z1 + \beta5Z2 + \beta6(X1.Z1) + \beta7(X2.Z1) + \beta8(X3.Z1) + \beta9(X1.Z2) + \beta10(X2.Z2) + \beta11(X3.Z2) + \varepsilon$$

In this research, the multiple linear regression data analysis technique is made through several stages of testing, namely, a descriptive statistical analysis test, a classical assumption test consisting of a normality test, a multicollinearity test, and a heterokedasticity test, after which a multiple regression test is carried out, then continues with the MRA test and finally a hypothesis test is carried out with a t test.

5. Results and discussion

5.1 Descriptive Statistical Analysis

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Distress (Y)	115	-59.98	508.99	15.1934	62.25621
Return on Equity (X_1)	115	-992.03	85.90	-19.2332	101.78769
Current Ratio (X_2)	115	0.04	16.20	1.9812	2.58997
Debt to equity Ratio (X_3)	115	-8.97	50.19	1.3942	4.84416
Gender Diversity (Z_1)	115	0.00	1.00	0.1834	0.23902

Institusional Ownership (Z_2)	115	0.16	0.89	0.5125	0.19277

Source: Generated data, 2025

Based on the table presented, the financial distress variable has a mean value of 15.1934, a minimum value of -59.98, a maximum value of 508.99, and a standard deviation of 62.25621. For the return on equity (ROE) variable, the mean value was -19.2332, the minimum value was -992.03, the maximum value was 85.90, and the standard deviation was 101.78769. Meanwhile, the variable current ratio (CR) had a mean value of 1.9812, a minimum value of 0.04, a maximum value of 16.20, and a standard deviation of 2.58997. The variable debt to equity ratio (DER) has a mean value of 1.3942, a minimum value of -8.97, a maximum value of 50.19, and a standard deviation of 4.84416 from the variable. For the gender diversity moderation variable, the mean value was 0.1834, the minimum value was 0.00, the maximum value was 1.00 and the standard deviation was 0.23902. Finally, the value of institutional ownership moderation shows a mean value of 0.5125, a minimum value of 0.16, a maximum value of 0.89 and a standard deviation of 0.19277.

5.2 Normality Test

The results of the normality test of the multiple linear regression model or model 1 are as follows:

Table 3. Normality Test Results Model 1

One-Sample Kolmogorov-Smirnov	
	Unstandardized Residual
Test Statistic	0.167
Asymp.Sig. (2-tailed)	0.000

Source: Generated data, SPSS

Referring to the data from table 3, the significance value obtained is 0.000, where the significance value is less than 0.05, so the data is not distributed normally. In order for the research to have a normal distribution, it is important to remove the outlier data. The results of the model 1 normality test after removing the outlier with casewise diagnostic are as follows:

Table 4. Model 1 Normality Test Results After Disposing of Outlier Data

One-Sample Kolmogorov-Smirnov	
	Unstandardized Residual
Test Statistic	0.072
Asymp.Sig. (2-tailed)	0.200

Source: Generated data, SPSS

After discarding the outlier data, it can be seen from table 3 for a significance value of 0.200. The value is greater than 0.05 so the data is said to be normally distributed.

The results of the normality test of moderating regression analysis (MRA) or model 2 are as follows:

Table 5. Results of the Model 2 MRA Normality Test:

One-Sample Kolmogorov-Smirnov	
	Unstandardized Residual
Test Statistic	0.100
Asymp.Sig. (2-tailed)	0.066

Source: Generated data, SPSS

If the data significance level ≥ 0.05, then the data is considered to be normally distributed. Conversely, if the significance level of the data ≤ 0.05, then the data is declared not to be normally distributed. Based on table 4, the significance value obtained was 0.066. Where the significance value is greater than 0.05 so that the data is distributed normally.

5.3 Multicollinearity Test

The results of the multicollinearity test of the multiple linear model or model 1 are as follows:

Table 6. Model 1 Multicollinearity Test Results

Variable	Tolerance	VIF
Return on Equity (X_1)	0.076	13.225
Current Ratio (X_2)	0.924	1.083
Debt to equity Ratio (X_3)	0.076	13.197
Gender Diversity (Z_1)	0.942	1.062
Institusional Ownership (Z_2)	0.867	1.154

Source: Generated data, SPSS

Based on table 6, it can be seen that there are two independent variables that experience multicollinearity, namely the ROE variable and the DER variable. Multicollinearity healing can be done by transforming the data of one of the variables that experience multicollinearity. The results of the multicollinearity test after data transformation are as follows:

Table 7. Model 1 Multicollinearity Test Results After Data Transformation

Variable	Tolerance	VIF
Return on Equity (X_1)	0.766	1.305
Current Ratio (X_2)	0.586	1.706
Debt to equity Ratio (X_3)	0.512	1.953
Gender Diversity (Z_1)	0.951	1.051
Institusional Ownership (Z_2)	0.862	1.160

Source: Generated data, SPSS

After the transformation of the model 1 multicollinearity test data, based on table 6, it can be seen that the tolerance value (T) is above 0.10 and the variance inflation factor (VIF) is below 10. Therefore, it can be concluded that in the regression model with dependent variables of financial distress, there were no symptoms of multicollinearity between independent variables after the data underwent transformation.

The results of the multicollinearity moderating regression analysis (MRA) test or model 2 are as follows:

Table 8. Model 2 Multicollinearity Test Results

Variable	Tolerance	VIF
Return on Equity	0.013	78.340
Current Ratio	0.224	4.461
Debt to equity Ratio	0.445	2.246
Gender Diversity	0.468	2.136
Institusional Ownership	0.534	1.873
Return on Equity*Gender Diversity	0.008	131.320
Current Ratio*Gender Diversity	0.311	3.218
Debt to equity Ratio*Gender Diversity	0.374	2.671
Return on Equity*Institusional Ownership	0.010	99.265
Current Ratio*Institusional Ownership	0.161	6.218
Debt to equity Ratio*Institusional Ownership	0.282	3.542

Source: Generated data, SPSS

Based on table 8 above, it can be seen that there are three independent variables that experience multicollinearity. Therefore, multicollinearity is cured by transforming one or the variables that experience multicollinearity. The following are the results of the model 2 multicollinearity test after the data transformation as follows:

Table 9. Model 2 Multicollinearity Test Results after data transformation

Variable	Tolerance	VIF
Return on Equity	0.803	1.246
Current Ratio	0.220	4.542
Debt to equity Ratio	0.594	1.685
Gender Diversity	0.246	4.065
Institusional Ownership	0.133	7.546
Return on Equity*Gender Diversity	0.253	3.945
Current Ratio*Gender Diversity	0.302	3.314
Debt to equity Ratio*Gender Diversity	0.490	2.039
Return on Equity*Institusional Ownership	0.162	6.190
Current Ratio*Institusional Ownership	0.158	6.343
Debt to equity Ratio*Institusional Ownership	0.282	3.542

Source: Generated data, SPSS

After the transformation of the multicollinearity test data model 2, it can be seen from table 9 that the tolerance value (T) is more than 0.10 and the variance inflation factor (VIF) is less than 10. Therefore, it can be concluded that for the regression model with financial distress as a dependent variable and gender diversity as well as institutional ownership as a

moderation variable after skipping the data transformation, there is no multicollinearity between all independent variables.

5.4 Heterokedasticity Test

The following are the results of the heteroscedasticity test of the multiple linear model or model 1 as follows:

Table 10. Model 1 Heteroscedasticity Test Results

Variable	Unstandarized Coeficient		Standarized Coeficient	t	Sig
	B	Std.Error	Beta		
(Constatnt)	22.668	4.535		4.999	0.000
Return on Equity	-0.020	0.018	-0.119	-1.119	0.266
Current Ratio	-1.160	0.760	-0.186	-1.527	0.130
Debt to equity Ratio	1.687	1.785	0.123	0.945	0.347
Gender Diversity	-1.698	6.815	-0.024	-0.249	0.804
Institusional Ownership	1.900	8.500	0.022	0.224	0.824

Source: Generated data, SPSS

In this study, the heterokedasticity test was carried out with the glycer test. Based on table 10, it can be seen that the significance value of each variable shows a > number of 0.05. Therefore, it can be concluded that there are no symptoms of heteroscedasticity because they meet the requirements.

The results of the heterokedasticity test with moderating regression analysis (MRA) or model 2 were carried out by Spearman Rho method as follows:

Table 11. Model 2 Heterokedasticity Test Results with Spearman Rho

	Model	Unstandarized Residual
Spearman Rho	Return on Equity	0.158
	Current Ratio	0.686
	Debt to equity Ratio	0.544
	Gender Diversity	0.576
	Institusional Ownership	0.456
	Return on Equity*Gender Diversity	0.233
	Current Ratio*Gender Diversity	0.053
	Debt to equity Ratio*Gender Diversity	0.578
	Return on Equity*Institusional Ownership	0.542
	Current Ratio*Institusional Ownership	0.983
	Debt to equity Ratio*Institusional Ownership	0.292

Source: Generated data, SPSS

Based on table 11, it can be seen that the significance value of each variable shows a > number of 0.05. Therefore, it can be concluded that there are no symptoms of heteroscedasticity because they meet the requirements.

5.5 Multiple Linear Regression Test

The results of multiple linear regression are as follows:

Table 12. Multiple Linear Regression/Model 1 Results

Variable	Unstandarized Coeficient		Standarized Coeficient	T	Sig
	B	Std.Error	Beta		
(Constatnt)	3.461	7.660		0.452	0.652
Return on Equity	-0.111	0.030	-0.363	-3.645	0.000
Current Ratio	0.668	1.284	0.059	0.521	0.604
Debt to equity Ratio	4.833	3.016	0.195	1.602	0.112
Gender Diversity	-5.742	11.512	-0.045	-0.499	0.619
Institusional Ownership	5.754	14.358	0.038	0.401	0.689

Source: Generated data, SPSS

Based on the results of the data processing in table 12, the multiple linear regression equation can be formulated as follows:

FD = 3,461 – 0,111ROE + 0,668CR + 4,833DER – 5,742GD + 5,754IO + ε

Based on the multiple linear regression above, it can be interpreted as follows:

a. The constant value shows a positive value of 3.461. This indicates that there is a constant variable ROE, CR, DER, GD, and IO, so it will tend to increase in financial distress.
b. The value of the return on equity (ROE) variable coefficient by indicating a negative value of -0.111. This indicates that ROE has a negative effect on financial distress or it can be interpreted that if every time there is a decrease in ROE, financial distress tends to decrease.
c. The value of the variable current ratio (CR) by indicating a positive value of 0.668. This indicates that CR has a positive effect on financial distress or it can be interpreted that if every time there is an increase in CR, financial distress tends to increase.
d. The value of the debt to equity ratio (DER) variable coefficient by indicating a positive value of 4.833. This indicates that DER has a positive effect on financial distress or it can be interpreted that if every time there is an increase in DER, financial distress tends to increase.
e. The value of the gender diversity (GD) variable coefficient by indicating a negative value of -5.742. This indicates that GD has a negative effect on financial distress or

it can be interpreted that if every time there is a decrease in GD, financial distress tends to decrease.

f. The value of the institutional ownership (IO) variable coefficient by indicating a positive value of 5.754. This indicates that IO has a positive effect on financial distress or it can be interpreted that if every time there is an increase in IO, financial distress tends to increase.

5.6 Moderated Regression Analysis (MRA) Test

Gender diversity and institutional ownership function as moderation variables. The results of MRA or model 2 are as follows:

Table 13. MRA or Model 2 Test Results

Type	Unstandarized Coeficient		Standarized Coeficient	T	Sig
	B	Std.Error	Beta		
(Constatnt)	50.564	2.691		18.789	0.000
Return on Equity	-24.381	1.108	-0.996	-22.009	0.000
Current Ratio	1.116	0.467	0.207	2.391	0.020
Debt to equity Ratio	0.754	0.836	0.047	0.901	0.371
Gender Diversity	-2.332	5.670	-0.034	-0.411	0.682
Institusional Ownership	22.919	8.985	0.284	2.551	0.013
Return on Equity*GD	0.409	0.477	0.069	0.859	0.394
Current Ratio*GD	0.790	2.109	0.028	0.374	0.709
Debt to equity Ratio*GD	-13.357	5.307	-0.146	-2.517	0.014
Return on Equity*IO	-1.507	0.677	-0.225	-2.226	0.030
Current Ratio*IO	-2.557	2.736	-0.095	-0.935	0.354
Debt to Equity Ratio*IO	11.493	5.779	0.142	1.989	0.049

Source: Generated data, SPSS

The equation, moderated regression analysis is shown in table 13 as follows:

$$FD = 50{,}564 + 0{,}409 + 0{,}790 - 13{,}357 - 1{,}507 - 2{,}557 + 11{,}493 + \varepsilon$$

Based on the above equation model, it can be interpreted as follows:

a. The value of the constant shows a positive value of 50.564. This indicates that there is a constant variable of ROE, CR, DER, GD, IO, ROE_GD, CR_GD, DER_GD, ROE_IO, CR_IO, and DER_IO variables worth 50.564 against financial distress.
b. The interaction of ROE and GD coefficient of 0.409 shows that an increase in ROE moderated by GD tends to increase financial distress.
c. The interaction of CR and GD coefficient of 0.790 indicates that an increase in CR moderated by GD tends to increase financial distress
d. The interaction of DER and GD coefficient -13.357 indicates that an increase in DER moderated by GD tends to decrease financial distress.

e. The interaction of ROE and IO coefficient -1.507 shows that an increase in ROE moderated by IO tends to reduce financial distress.
f. The interaction of CR with IO coefficient -2.557 shows that an increase in CR moderated by IO tends to reduce financial distress.
g. The interaction of DER with IO coefficient of 11.493 shows that an increase in DER moderated by IO tends to increase financial distress.

5.7 T Test

Table 14. Test Result T

Type	Hypothesis	t	Sig	Desc.
Return on Equity	Effect of ROE on FD	-22.009	0.000	Accepted
Current Ratio	Effect of CR on FD	2,.391	0.020	Accepted
Debt to equity Ratio	Effect of DER on FD	0.901	0.371	Rejected
Gender Diversity	GD moderates ROE against FD	0.859	0.394	Rejected
Institusional Ownership	GD moderates CR against FD	0.374	0.709	Rejected
Return on Equity*GD	GD moderates DER against FD	-2.517	0.014	Accepted
Current Ratio*GD	IO moderates ROE against FD	-2.226	0.030	Accepted
Debt to equity Ratio*GD	IO moderates CR against FD	-0.935	0.354	Rejected
Return on Equity*IO	IO moderates DER against FD	1.989	0.049	Accepted

Source: Generated data, SPSS

The first hypothesis in this study states that profitability is proxied by return on equity (ROE) has a negative and significant impact on financial distress. From table 13, it can be seen that the t-value reaches -22.009 with a significance of 0.000 (< 0.05) indicating that H1 is accepted.

The second hypothesis in this study suggests that liquidity is proxied with the current ratio (CR) showing a positive and significant influence on financial distress. From table 14, a t-value of 2.391 was obtained with a significance of 0.020 (< 0.05) which means that H2 is accepted.

The third hypothesis in this study shows that leverage is proxied with debt to equity ratio (DER) has a positive and significant effect on financial distress. Based on table 14, it is known that the t-value is recorded at 0.901 with a significance of 0.371 (> 0.05) so that H3 is rejected.

The fourth hypothesis in this study proposes that gender diversity functions as a moderator in the relationship between ROE and financial distress. Table 14 shows a t-value of 0.859 with a significance of 0.394 (> 0.05) indicating that H4 is rejected. Thus, it can be concluded that gender diversity does not function to strengthen the relationship between ROE financial distress in tourism industry service companies, hotels and restaurants listed on the IDX.

The fifth hypothesis in this research confirms that gender diversity plays a role as a moderator of CR in financial distress. From table 14, it is known that the t-value of 0.374 with a significance of 0.709 (> 0.05) indicates that H5 is rejected. Therefore, it can be concluded that gender diversity does not function to strengthen the influence of CR on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX.

The sixth hypothesis in this study claims that gender diversity plays a role as a moderator in the influence of DER on financial distress. From table 14, the t-value is -2.517 with a significance of 0.014 (< 0.05) indicating that H6 is accepted. Therefore, it can be concluded that gender diversity has a negative moderation effect or weakens the influence of DER on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX.

The seventh hypothesis in this study proposes that institutional ownership functions to moderate the influence of ROE on financial distress. Table 14 shows a t-value of -2.226 with a significance of 0.030 (< 0.05) indicating that H7 is accepted. Thus, it can be concluded that institutional ownership has a negative moderation impact or weakens the influence of ROE on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX.

The eighth hypothesis in this study shows that institutional ownership moderates the influence of CR on financial distress. Table 14 shows that the t-value is -0.935 with a significance of 0.354 (> 0.05) which indicates that H8 is rejected. It can be concluded that institutional ownership does not positively moderate the influence of CR on financial distress.

The ninth hypothesis of this study states that institutional ownership moderates the influence of DER on financial distress. Based on table 14, a t value of 1.989 with a significance of 0.49 (< 0.05) indicates that H9 is accepted. Therefore, it can be concluded that institutional ownership strengthens the influence of DER on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX.

5.8 The Effect of Return in Equity (ROE) on Financial Distress

Based on statistical data processing using SPSS, it is known that the value of t is -22.009 with a significance value of 0.000 (< 0.05). This shows that ROE has a negative and significant influence on financial distress in tourism industry service companies, hotels and restaurants listed on the Indonesia Stock Exchange. So it can be concluded that the H1 hypothesis is accepted.

The results of this study are in accordance with research conducted by Dewi & Efendi David (2023), which states that ROE has a negative and significant effect on financial distress. Thus, it can be concluded that companies with high ROE tend to be more financially stable, thus facing a low risk of experiencing financial distress. Return on Equity (ROE) has a negative and significant influence on financial distress, which means that if the ROE is high,

the company can be considered safer from financial distress. A high ROE indicates how well a company can utilize its assets to generate profits, which in turn can reduce the risk of financial distress because it can attract investors to invest in the company. On the other hand, low ROE has the potential to face the risk of financial distress, where profit targets are not achieved due to inefficient management in using overall assets and net assets.

Agency Theory provides a relevant perspective to understand this, as it reveals the potential for conflict between shareholders (as principals) and managers (as agents). According to Jensen & Meckling (1976), shareholders as principals expect managers to be able to optimize the use of equity to maximize the company's profits and value. However, when a company's ROE is low, it shows that managers are not effective at generating enough profits from existing equity. At the same time, to cover the shortfall, companies will often increase debt to maintain continuity of operations. This condition further exacerbates the risk of financial distress, as high debt dependence can worsen liquidity and a company's ability to meet short-term obligations.

Empirical research further corroborates the findings of Brealey et al. (2011) in their study on the capital structure of companies explaining that companies with low ROE have a higher probability of experiencing financial distress due to difficulties in generating sufficient profits to pay financial obligations, especially if the company relies on debt as a source of financing. This is exacerbated by the dependence of the tourism, hotel, and restaurant sectors on fluctuating external factors, such as macroeconomic conditions, changing consumer preferences, and seasonal cycles.

5.9 The Effect of Current Ratio (CR) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is 2.391 with a significance value of 0.020 (< 0.05). This shows that CR has a positive and significant influence on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H2 hypothesis is accepted.

The results of this study are consistent with research conducted by Sukmawati et al., (2020) which concluded that the current ratio has a positive and significant influence on financial distress. This shows that companies with high CRs have good liquidity, but if they are too high, it can reflect ineffectiveness in the use of assets that increase financial distress.

The current ratio has a positive and significant influence on financial distress which means that when the current ratio increases, the company is able to meet its short-term obligations, thereby reducing the risk of financial distress. On the other hand, a low current ratio indicates a potential liquidity problem that can increase the likelihood of financial distress.

The relationship between the Current Ratio and financial distress can be explained through Agency Theory, which shows that good liquidity management by managers reduces the risk of financial distress, while poor management can exacerbate agency problems and

increase the likelihood of financial distress. According to Putra & Lestari (2018), a low Current Ratio is often an early indicator of financial distress, which shows the potential for management problems by managers that can cause financial distress (Putra & Lestari, 2018). In this situation, shareholders need to engage in management oversight which can increase agency costs. Therefore, the relationship between the current ratio, financial distress and agency cost suggests that keeping the current ratio at a healthy level not only helps avoid financial distress, but also minimizes conflicts and agency costs, and creates a stable environment for the company.

5.10 The Effect of Debt to Equity Ratio (DER) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is 0.901 with a significance value of 0.371 (> 0.05). This shows that DER has a positive and insignificant influence on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H3 hypothesis is rejected.

The results of this study are supported by the findings of Indrawan & Sudarsi (2023) who state that DER has a positive and insignificant effect on financial distress. In other words, debt growth can increase financial risk, but changes in DER do not necessarily correlate with the level of financial distress experienced by the company.

The Debt to Equity Ratio shows a positive and insignificant effect on financial distress, which means that DER fluctuations do not affect financial distress. Existing research shows that high levels of DER are not necessarily associated with a decline in profits. When the company has debt and the DER is not at the optimal level, it does not always lead to losses, even profits can increase.

In Agency Theory, this can be explained through potential conflicts of interest between managers and shareholders. Managers may increase the use of debt to finance the company's expansion or operations in pursuit of short-term goals or personal incentives, although such decisions may increase the company's financial risk. According to Fama & Jensen (1983) it is emphasized that in companies with high DER, agency costs are greater because managers tend to face pressure to make high-risk decisions to increase the company's profits, while creditors want risk reduction.

According to Myers (2001), it is also stated that the use of high debt can worsen agency costs by creating conflicts between managers, shareholders, and creditors. Managers, faced with strategic decisions to increase the company's value, may be driven to take greater risks in the hope of maximizing profits. However, this adds to the potential for financial distress, as companies with high levels of debt find it more difficult to meet their financial obligations, especially if the risky decision is unsuccessful.

5.11 Gender Diversity Moderates the Effect of Return on Equity (ROE) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is 0.859 with a significance value of 0.394 (> 0.05). This shows that gender diversity does not positively moderate the influence of ROE on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H4 hypothesis is rejected.

The results of this study are consistent with the research of Ramadanty & Khomsiyah (2022), which states that gender diversity does not moderate the influence of ROE on financial distress. This means that gender diversity does not play a role in improving or strengthening the relationship between ROE and financial distress. Theoretically, gender diversity in the managerial ranks is believed to be able to contribute to improving the quality of the company through a diverse presence in the strategic decision-making process and an increase in the supervisory function of management, which ultimately has the potential to reduce agency costs.

This study shows that the role of gender diversity in companies has not been running effectively and tends not to make a real contribution in reducing the risk of financial distress, even when companies are able to record a high level of profitability through ROE. In this case, the existing gender diversity may still be a mere formality or only to meet compliance with regulations and demands of modern governance, without being accompanied by substantial empowerment of individuals from different gender groups in the company's decision-making process. Thus, agency costs in the company remain at a relatively high level because the control and monitoring functions that should be strengthened by the existence of a gender-diverse board of directors have not been optimally realized, ultimately, gender diversity fails to function as a factor that strengthens the positive relationship between financial performance and reduced risk of financial distress.

5.12 Gender Diversity Moderates the Influence of Current Ratio (CR) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is 0.374 with a significance value of 0.709 (> 0.05). This shows that gender diversity does not positively moderate the influence of CR on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H5 hypothesis is rejected.

These findings are consistent with research conducted by Salim & Dillak (2021), which showed that gender diversity does not moderate the influence of CR on financial distress. This indicates that the variation in terms of gender in the company does not have a significant influence on reducing or increasing the risk of financial problems affected by the current ratio.

In agency theory, the presence of women in the company can act as a better supervisory mechanism for management, so as to be able to suppress agency conflicts between managers (agents) and owners (principals). In this theory, it is assumed that diversity on boards, including the presence of female members, can improve the quality of decision-making, transparency, and oversight of the company's financial performance. However, this indicates that gender diversity has not had a significant influence in strengthening the relationship between liquidity and financial distress risk (Sholikhah, 2018). This can be caused by several factors.

First, although there is a compositional representation of women on the board of directors or management, the level of their involvement or influence in strategic decision-making may still be low, so their contribution to managerial oversight is not optimal. Second, in the context of organizational culture and industrial structure in Indonesia, the role of women in management may still be symbolic or formal, not as the main decision-maker, so their presence is not fully able to carry out the monitoring function as assumed in agency theory. In addition, another possibility is that the influence of the current ratio on financial distress is strong enough or weak on its own, so that the existence of gender diversity does not provide significant added value as a moderator variable.

5.13 Gender Diversity Moderates the Influence of Debt to Equity Ratio (DER) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is -2.517 with a significance value of 0.014 (< 0.05). This shows that gender diversity is able to negatively moderate or weaken the influence of DER on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H6 hypothesis is accepted.

The results of this study are in line with research conducted by Nathania & Vitariamettawati (2022), which states that gender diversity is able to negatively moderate or weaken the influence of DER on financial distress. This means that gender diversity in management helps reduce the risk of financial distress caused by high debt, as it improves the quality of decision-making and corporate governance.

In agency theory, gender diversity plays a role as an effective internal governance mechanism. The existence of women in the ranks of directors or management is believed to be able to improve the supervisory function and make more careful and ethical decisions. This contributes to suppressing opportunistic management behavior that risks harming shareholders, especially in the management of corporate debt. Gender diversity not only provides added value in social and diversity aspects, but is also able to have a positive impact in the context of finance and corporate governance, as well as strengthen the relationship between capital structure and corporate financial stability (Brammer et al., 2007). In this way, gender diversity can reduce the adverse impact of DER on financial distress. This means that,

even though companies have significant debt, women's participation in management can help reduce the likelihood of financial distress, thanks to wiser and more responsible decisions.

5.14 Institutional Ownership Moderates the Effect of Return on Equity (ROE) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is -2.226 with a significance value of 0.030 (< 0.05). This shows that institutional ownership is able to negatively moderate or weaken the influence of ROE on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. So it can be concluded that the H7 hypothesis is accepted.

These results are consistent with the findings of Komala & Triyani (2019) which states that institutional ownership can weaken the influence of ROE on financial distress. This suggests that companies with low ROE levels can benefit from the presence of strong institutional investors to reduce the risk of financial distress through effective managerial supervision and control.

In agency theory, this phenomenon reflects a potential conflict of interest between management as an agent and the capital owner as a principal, especially when the principal is a large financial institution that has certain interests and expectations for the results of their investment. Institutional ownership, which has bargaining power and significant influence on the company's strategic decision-making, can indirectly put pressure on management to prioritize short-term strategies to maintain stock price stability or dividends, compared to long-term strategies that are more oriented towards the company's sustainability (Betari & Hanif, 2023). In this case, negative moderation by institutional ownership shows that ROE as an indicator of profitability cannot be used as the only reference in assessing the company's financial resilience. Ownership structures, especially institutional dominance, are important factors that can change the direction and strength of the influence of these fundamental variables on the company's financial condition.

5.15 Institutional Ownership Moderates the Influence of Current Ratio (CR) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is -0.935 with a significance value of 0.354 (> 0.05). This shows that institutional ownership does not negatively moderate the influence of CR on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H8 hypothesis is rejected.

The results of these findings are related to research conducted by Betari & Hanif (2023) which states that institutional ownership does not negatively moderate the influence of CR on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. This shows that the influence of the current ratio in reducing financial distress remains stable, even though the level of institutional ownership is quite high.

In this case, it can be related to agency theory, the existence of institutional ownership should function as a supervisory mechanism that is able to reduce conflicts of interest between management (agents) and shareholders (principals), as well as improve the quality of financial decision-making. However, these results show that in practice, the role of institutions as supervisors has not been seen significantly in moderating the relationship between liquidity and financial risk. This can be caused by several factors, such as the passive role of institutional investors in managerial decision-making or their lack of involvement in company operations (Isnalita & Utama, 2013). Thus, it can be concluded that in this industry, the current ratio remains the dominant factor in explaining financial distress, and the existence of institutional ownership has not significantly strengthened or weakened the relationship.

5.16 Institutional Ownership Moderates the Influence of Debt to Equity Ratio (DER) on Financial Distress

Based on statistical data processing using SPSS, it is known that the t-value is 1.989 with a significance value of 0.049 (< 0.05). This shows that institutional ownership is able to positively moderate or strengthen the influence of DER on financial distress in tourism industry service companies, hotels and restaurants listed on the IDX. It can therefore be concluded that the H9 hypothesis is accepted.

The results of this study are in line with research conducted by Utami & Taqwa (2023) which states that institutional ownership is able to positively moderate or strengthen the influence of DER on financial distress. This means that for companies with a high level of institutional ownership, an increase in DER does not necessarily lead to an increase in the risk of financial distress, because the role of control and supervision of institutional ownership helps maintain the company's financial stability.

In the context of agency theory, the high DER reflects the high proportion of debt use which has the potential to increase the risk of financial distress, especially if management does not manage the capital structure optimally. This condition often arises due to a conflict of interest between the manager and the company owner, which then incurs agency costs. Agency cost occurs when the manager, who has control over the company's financial decisions, acts not entirely in line with the owner's interests. However, the high proportion of institutional ownership can reduce the agency cost. This is due to the ability of institutional investors to supervise and pressure management to act more carefully and efficiently in making funding decisions (Nathania & Vitariamettawati, 2022). In this case, institutional ownership is able to positively moderate the influence of DER on financial distress, namely by reducing agency costs and strengthening the supervisory function of management. The presence of institutions as shareholders encourages the creation of better corporate governance, so that even though the DER is high, the risk of financial distress can be minimized.

6. Conclusion

This study was conducted to see whether return on equity (ROE), current ratio (CR), debt to equity ratio (DER) can affect financial distress mediated by gender diversity and institutional ownership variables in tourism industry service companies, hotels and restaurants listed on the Indonesia Stock Exchange in 2019-2023. In this study, financial distress was measured using the Zmijewski method. Based on the results of the research conducted, it can be concluded that the first hypothesis is obtained that return on equity (ROE) has a negative and significant effect on financial distress. The second hypothesis is obtained as a result that the current ratio (CR) has a positive and significant effect on financial distress. The third hypothesis is obtained as a result that debt to equity ratio (DER) has a positive and insignificant effect on financial distress. The fourth hypothesis is obtained as a result of gender diversity not being able to moderate the effect of return on equity (ROE) on financial distress. The fifth hypothesis obtained is that gender diversity is not able to moderate the influence of current ratio (CR) on financial distress. The sixth hypothesis obtained is that gender diversity results are able to moderate/weaken the influence of debt to equity ratio (DER) on financial distress. The seventh hypothesis obtained is that institutional ownership is able to moderate/weaken the effect of return on equity (ROE) on financial distress. The eighth hypothesis obtained is that institutional ownership is not able to moderate the influence of the current ratio (CR) on financial distress. The ninth hypothesis is obtained from the results of institutional ownership being able to moderate/strengthen the influence of debt to equity ratio (DER) on financial distress.

For companies, it is expected to carefully consider what factors can affect financial distress due to differences in research results from several previous studies. Can use samples from various sectors of the company to expand the research. In addition, for further research, it can add variables that are free of external factors such as inflation, interest rates, or other variables that can affect the financial distress condition of a company.

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